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Economics for Peace: Léon Walras and the Nobel Peace Prize

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Economics for Peace: Léon Walras and the Nobel Peace Prize

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Abstract

This paper is an account of the history of the attempt by Léon Walras to be awarded the Nobel Peace Prize for 1906. It describes Walras' moves to get three of his Lausanne colleagues to nominate him for the Prize, the arguments advanced in the proposal, and the reception that it received by the Norwegian Peace Prize Committee in Kristiania (Oslo). It discusses whether Walras had realistic reasons to believe that he stood a real chance of winning the Prize, and it evaluates the validity of the arguments on which the proposal was based.

JEL Classification: B1, B3

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Léon Walras and the Nobel Peace Prize.

A curious episode in the history of economics is the attempt by Léon Walras to be awarded the Nobel Peace Prize. Much of the story can be pieced together from a reading of Walras' correspondence (Jaffé 1965), and it has been mentioned briefly by several historians of economic thought, e.g. Niehans (1990). However, there does not appear to exist a full account of the story, including the reception of the proposal by the Norwegian Nobel Committee. To fill this gap is the purpose of the present paper. The episode is interesting because of the light it sheds on Léon Walras' personality and his perception of the significance of his own work.

1. Background.

The Nobel prizes have their origin in the will of the Swedish inventor and industrialist Alfred Nobel (1833-1896). A large part of his fortune went to establish a fund, the interest on which was to provide the financing for five annual prizes, of which one was to be in physics, one in chemistry, one in physiology and medicine and one in literature. The first two of these prizes were to be awarded by the Royal Swedish Academy of Sciences, the third by Karolinska Institutet, a medical university, and the fourth by the Swedish Academy (of language and literature). The fifth prize was to be awarded to “the person who shall have done the most for fraternity between nations, for the abolition or reduction of standing armies and for the holding and promotion of peace congresses.” The winners of this prize, which became known as the Peace Prize, were, unlike the other four, not to be selected by any Swedish institution, but by “a committee of five persons to be elected by the Norwegian Storting [Parliament]”.¹ The reason why Nobel chose to leave the decisions on the Peace Prize to the Norwegians is not clear. He may simply have thought it fair that both countries in the Swedish-Norwegian union should have a share of his prizes, or he may have thought that Norway, as the junior partner in the union and less visible on the international political scene, was less likely to let the selection of the winner be influenced by international power politics.

The first set of prizes was awarded in the autumn of 1901. The winners of the first four Peace prizes were as follows.

¹ The quotations are from the English translation of Nobel's will, published on the official homepage of the Norwegian Nobel Institute, <http://nobelpeaceprize.org>.

1901: Henry Dunant (Switzerland) and Frédéric Passy (France).

1902: Élie Ducommun (Switzerland) and Albert Gobat (Switzerland).

1903: Randal Cremer (United Kingdom).

1904: Institute of International Law (Belgium).

At the present time the most famous of the early Prize winners is Henry Dunant, the founder of the Red Cross. Passy, Ducommun, Gobat and Cremer were all activists of national and international peace organizations, while the 1904 award started a long tradition of giving the Peace Prize to organizations whose work was judged to be beneficial to the cause of world peace.

This, in brief, was the history of the Nobel Peace Prize as of the spring of 1905, when the nomination of Léon Walras as a candidate took place.

2. The proposal.

In his chapter on Walras, Niehans (1990, p. 209) says that Walras “applied for the Nobel Peace Prize”. Formally, this is not correct, since, by the bylaws of the Prize, no one can nominate himself, and this is accordingly not what he did. However, it is possible to circumvent this rule by encouraging others to propose one, and this was the road taken by Walras. We can get at least some glimpses of the process of nomination by reading a series of letters in volume III of William Jaffé’s edition of Walras’ correspondence (1965)².

The story begins with a letter of 13 April, 1905, (no. 1589) from Walras, who by that time was retired and living in the village of Clarens, to a former colleague, Ernest Roguin, who was professor of international law at the University of Lausanne. Walras invites Roguin to come and visit him, saying, without being more specific, that he would like to ask his advice on something. From the subsequent correspondence it becomes clear that Walras wanted to find out if any of his former colleagues would be prepared to propose him for the Nobel Peace

² The letters are numbered chronologically and will be referred to in the following by their number.

Prize. Roguin's response must have been positive and led to fairly immediate action. In a new letter of 4 May (no. 1590) from Walras he thanks Roguin for his efforts and acknowledges also the support of his "excellent colleagues and friends Maurer and Millioud". Alexandre Maurer was professor of German history and literature and a former Rector of the University, while Maurice Millioud held the position of professor of philosophy. It was Roguin, Maurer and Millioud who signed the letter of nomination (no. 1595) to the Peace Prize Committee³.

In the letter the nominators say that they would like to call the committee's attention to the claims that M. Walras has to being considered for the Prize. This is followed by the one-sentence paragraph⁴:

"M. Walras has devoted the whole of his scientific activity to the science of mathematical economics, of which he is the principal founder."

They go on to state that Walras' devotion to science has perhaps prevented him from receiving the honours that he deserves, and that this is an additional reason for wishing him to receive this recognition of his exceptional scientific merits and irreproachable moral attitude. It is true that the immediate results of M. Walras' work may not be apparent, but theoretical research is in certain respects more important than practical activities. Its perspectives are longer, and its results are more durable and more certain.

The letter itself does not specify the relevance of Walras' work to the cause of peace. The argument in support of this is set out, however, in an enclosure to the letter, which runs to almost four closely printed pages of the *Correspondence*; in the following I will refer to this as the Memorandum. A draft of the Memorandum has been preserved in Walras' hand writing, so that he clearly must be considered its principal author, although formally it appears as the work of the three proponents. It gives an interesting view of his thinking both on matters of theory and economic policy, although he obviously presents his work in a light that could be expected to be particularly attractive to the Prize Committee.

³ This letter, as printed in the correspondence, is actually without address, salutation or signatures. But it is clear from later correspondence that this was indeed the letter of nomination, that it was posted on 20 July, 1905, and that it was signed by the three professors. These facts are also confirmed by the records of the Norwegian Nobel Institute.

⁴ Unless otherwise noted, the translations from French and Norwegian are my own.

In the first paragraph of the Memorandum Walras is proposed as a candidate for the Prize on the basis of “his work in three volumes”:

Eléments d'économie politique pure, 4th edition, 1900.

Etudes d'économie sociale, 1896.

Etudes d'économie politique appliquée, 1898.

Perhaps the most powerful of all means to promote and maintain the fraternity between nations, the Memorandum argues, is the move towards free international trade (“libre échange international”). Interestingly, this basic proposition is not spelt out in any detail; perhaps the author or authors consider it to be self-evident. Instead, the document goes on to list other benefits from free trade: It provides access to a wide range of goods for all countries and will allow the suppression not only of war, but also of hunger. Accordingly, it concludes, the proponents have no difficulty in pronouncing any effort to promote free international trade to be in perfect agreement with the spirit of the Nobel Peace Prize.

There are two ways to work for the promotion of free trade. There is the practical approach, which works through the removal of barriers to trade, and the theoretical or scientific approach which is concerned with the clarification of the serious and complex questions that arise in the study of free trade. The second approach is of primary importance, because the theory of free trade still lacks a scientific basis.

What are the barriers to free trade? The memorandum argues that too much attention tends to be given to protective tariffs, while fiscal charges⁵ are just as important; e.g. English taxes on tea, sugar, tobacco and wine are also detrimental to trade, but this is hardly realized by free traders like Cobden and Bright. Thus, in the interests of promoting free trade, both tariffs and indirect taxes ought to be abolished. But this recommendation requires the theory to answer the following two questions:

- I. How can one collect the revenue of the state without fiscal charges and tariffs of any sort?

⁵ The memorandum uses the word “droit”, which can be interpreted both as taxes and tariffs.

II. Can protective tariffs be abolished without damage to industry and the wealth of the country?

The proponents do not hesitate to say that M. Walras' work has been completely devoted to answering these questions. He has clearly not had the newly established Nobel Prize in mind, since his work extends over a period of forty years; while he has written with the sole purpose of establishing the scientific solution to the "social economic question", he has by the same stroke established the solution to the question of free trade.

Because the destiny of man is to live in societies, i.e. as individuals in a state, it is necessary that the state subsists. But if the economic basis of the state is taxes and tariffs, there is a contradiction between the subsistence of the state and the economic interests of society. Happily, this contradiction is only apparent. Pure scientific economics has established that there are two natural sources of wealth: The services of the human faculties and the services of the earth ("la terre"). A philosophic social economics ("une économie social philosophique") attributes to the individual the wages of his labour and to the state the rent on the land. There is therefore no need for fiscal charges and tariffs that distort the conditions for free trade. Free competition achieves this for the individuals within a nation, and it is evident that the same result must hold for individuals within a customs union or the world as a whole. The text makes a number of supporting references to Walras' books, especially to the *Eléments d'économie politique pure*, and also to the main works of Ricardo and Mill, although these authors were not as rigorous as Walras. It also refers to his *Etudes d'économie politique appliquée* for the proposition that free trade leads to the economic unification of the world, the suppression of war, the settlement of international conflicts by arbitration, and a number of other benefits, including the nationalization of land and the abolition of all import duties. The nationalization of land enables the state to collect all rents, thereby financing its activities without the help of taxes and tariffs.

It is important to note, the Memorandum continues, that the social and political economy on which these propositions rest, are derived from pure economics, a field that studies the laws of economics by a new method, viz. the mathematical one. As early representatives of this method the Memorandum mentions Whewell, Cournot and Gossen, it refers to Jevons as Walras' contemporary, and it then continues with a long list of later writers:

“Marshall, Edgeworth, Wicksteed in England; Clark, Fisher in the United States; Launhardt, Lehr in Germany; Auspitz and Lieben in Austria; Rossi, Pareto, Barone in Italy; Knut Wicksell in Sweden ...”

The Memorandum closes with a paragraph about Walras as a person, presenting a few biographical data and repeating⁶ the statement in the letter of nomination about Walras' irreproachable moral attitude.

The letter of nomination was sent from Lausanne on 20 July 1905. The next day Walras wrote directly to the Nobel Peace Prize Committee announcing that he will be sending them a parcel containing the three books mentioned in the Memorandum as well as two issues of journals that contain material which he considers relevant for his candidature. The nomination was, however, sent too late to be considered for the 1905 Prize, and the Prize Committee decided to carry it over to 1906⁷. Walras wrote again to the Committee in January 1906 to tell them that he had sent by separate mail a copy of the first issue of the journal *Revue du Mois*, which contained an article by the Italian mathematician Vito Volterra. This article considered the application of mathematics to the biological and social sciences and listed a number of the most important mathematical economists, Walras among them, but neither the article nor the letter contain references to free trade and its connection with world peace.

Long after the award had been decided, Walras continued to promote his candidacy. In September 1907 (letter no. 1662) he sent the Prize Committee reprints of some of his recent articles, and in August 1909 (letter no. 1770), five months before his death, he forwarded several publications that contained laudatory articles on him on the occasion of his 75th birthday.

3. Reception of the proposal.

When it receives the nominations the Nobel Peace Prize Committee arranges for reports to be written on the merits of the nominees. During the first years of the Prize, the secretary of the Committee wrote the reports, but beginning in 1904 the Committee started to employ

⁶ “Repeating” may be misleading, since the draft of the Memorandum was probably written before the letter. It seems reasonable to believe that the three authors of the letter selected some of their formulations from Walras' own text.

⁷ See letter no. 1595, note 6.

permanent advisers for this purpose. For the 1906 Prize the responsibility of writing the reports was divided among the secretary, Christian Lange⁸, and three advisers. The adviser who wrote the report on Walras, was Karl Vilhelm Hammer (1860-1927), whose title was that of first archivist at the Ministry of Foreign Affairs. Hammer had studied law and economics, but apparently without taking a university degree. Before entering government service he worked for many years as a journalist and was also active as a popular lecturer on economic and social issues. He appears to have been a man with broad knowledge of many fields, and he was a frequent contributor to various works of reference.

Hammer's report on Walras runs to five pages in the published proceedings of the Prize Committee (Det Norske Stortings Nobelkomité, 1906). It begins with the following sentence:

“The French mathematician *Antoine Auguste* (sic) *Cournot* published in 1838 a small book, which - as indicated by its title “*Recherches sur les principes mathématique de la théorie des richesses*” - contains an attempt to apply the principles and methods of mathematics to explain economic phenomena.”

Hammer proceeds with a brief sketch of the history of mathematical economics from Cournot to Walras, mentioning the contributions of Gossen and Jevons. He then goes on to provide a brief biography of Walras, mentioning his main works and the influence that he has had on younger economists; here he reproduces the list of names contained in the Memorandum. Towards the end he raises the question: What has mathematics contributed to economics? He refers to the view that the real economy is much too complex to be captured by mathematical formulae, but he counters by pointing out that mathematics

“has made it perfectly clear that economic activity is based on interaction, so that no element can undergo a change without causing similar or opposite changes in other elements. Walras and his followers have moreover with irresistible force pointed out that these interactions within the world of economic and social phenomena may be represented algebraically by equations or graphically by diagrams. Even though

⁸ Christian L. Lange (1869-1938) went on to win the Peace Prize himself. In his capacity as Secretary General of the Inter-Parliamentary Union he shared the 1921 Prize with the Swedish prime minister Hjalmar Branting.

mathematics cannot bring forward new economic truths, it enables one to present many economic facts in a clearer light⁹.”

Hammer closes his report with a flourish:

“[Walras] is a scientist who has cultivated an exceptionally wide field of enquiry. He is not only the founder of modern “pure” economics; he is also a sociologist with a broad view of life’s concrete and incongruent realities.”

Obviously, Hammer’s report is less remarkable for what it actually contains than for what it does not contain. There is no word in his report of the claim advanced in the Memorandum that an understanding of the principles of competitive markets and free trade, combined with an abolishment of taxes and nationalization of land, is likely to promote world peace. The report must have been puzzling reading to the committee members, since it gives the impression that Walras has been proposed for the Peace Prize solely because of his contributions to mathematical economics. Why did he write his report in this way? Two explanations come to mind. One is that he had not understood the basic point made in the proposal and the Memorandum and decided instead to write about those aspects of Walras’ work where he could draw on the existing literature¹⁰. An alternative explanation may be one that is suggested by the current home page¹¹ of the Norwegian Nobel Institute. In its section on “Professional advisers” it says:

“The advisers do not directly evaluate nominations; that is the committee’s responsibility. Neither do they normally give any explicit recommendations as to whether the prize should be awarded to certain candidates or not. However, from their descriptions of the nominees it is often possible to conclude their basic attitude.”

If Hammer’s basic attitude was that Walras did not meet the qualifications required for the Prize, he may have chosen to communicate his view by stressing Walras’ achievements in a way which must have made them seem completely irrelevant for this purpose. What the true

⁹ Hammer refers in this paragraph to Volume I (1903) of the standard Norwegian textbook at the time, a four-volume work by Torkel Aschehoug (1903-1909). This contains a paragraph which is very similar to this quotation.

¹⁰ In addition to Aschehoug’s book he refers to the article on Walras by C. P. Sanger in *Palgrave’s Dictionary of Political Economy* and to Kaulla (1906).

¹¹ <http://nobelpeaceprize.org>.

explanation was we shall probably never know. Neither shall we know the reactions of the Prize Committee, since its deliberations are - and remain - unrecorded. What we do know is the fact that among its 29 candidates the Committee decided to award the Nobel Peace Prize for 1906 to the president of the United States, Theodore Roosevelt.

The adviser to the Prize Committee in the case of Theodore Roosevelt was the historian Halvdan Koht (1873-1965), who at that time was in the early stages of a brilliant academic career in Norway. In this case it can hardly be said that the adviser attempted to conceal his basic attitude to the candidate, which was strongly negative. Roosevelt's candidacy was based on his alleged role in achieving peace between Japan and Russia after the war of 1904-1905. Koht found his contribution in this respect to be of little significance, and by examining his political career and the attitudes revealed in his numerous books he concluded that Roosevelt, far from advocating the cause of peace, communicated a positive attitude to war as a legitimate means for a country to further its own interests. If Roosevelt and Walras had been the only two candidates for the Prize¹², a neutral reader of the reports could easily come to conclude that it ought to be awarded to Walras, who at least had done nothing to harm the cause of peace. But the Prize Committee had an additional 27 proposals to choose from, and the list of candidates was a strong one; it actually contained seven future prize winners¹³. So why choose Roosevelt? The answer to this must undoubtedly be sought in the political situation in Norway at the time. The country had broken out of the union with Sweden in 1905, a move which had caused critical reactions from the governments of the major European powers, and the Norwegian leaders must have felt a strong need to create some international goodwill for themselves. From this point of view, awarding the prize to the American president must have seemed like an attractive proposition to the Committee, and particularly to its chairman, Jørgen Løvland - who also happened to be minister of foreign affairs¹⁴.

4. An ill-advised action?

¹² In April 1907 (letter no. 1649), Walras wrote to his old friend Gustave Maugin that Roosevelt had snatched the Nobel Prize from him ("m'a soufflé le prix Nobel"). This formulation suggests a conviction that if it had not been for Roosevelt's candidacy, the Prize would have been his.

¹³ These were Ernesto Moneta and Louis Renault (1907), Klas P. Arnoldson and Fredrik Bajer (1908), Paul H. B. B. d'Estournelles de Constant (1909), Bureau international de la Paix (1910) and Hjalmar Branting (1921).

¹⁴ Over the course of the 20th century the ties between the political establishment and Nobel Peace Prize Committee have been loosened. The Committee is still appointed by Parliament, but no current member of Parliament can serve on the Committee, nor can any member of the government.

How are we to think about Walras' attempt to be rewarded the Nobel Peace Prize? At one level it seems rather a pathetic story of a great scientist who was carried away by his desire for honours and recognition. What he arguably did was to dress up his work to make it seem relevant for a Prize designed to award activities that were in reality totally different from his own. Neither does the strategy that he chose to advance his candidacy shed a flattering light on his personality; he circumvented the rule that no-one can propose himself by a manoeuvre that made the proposal look as if it originated with his colleagues in Lausanne, although he had in fact written it himself. Moreover, the proposal seemed doomed to failure from the very beginning, since he ought to have understood that he had in fact no chances of winning the Prize. It is impossible to deny that these are essential aspects of the story. But with respect to the last point, the situation facing Walras in 1905 is very different from how it appears to us when we consider the episode from the vantage point of the present time. We are necessarily influenced by our knowledge of the last one hundred years of the history of the Prize, and we may therefore come to judge Walras' behaviour in a manner which is too critical of his judgement, given the information available to him.

First, it must be kept in mind that in 1905, when the proposal was made, only four prizes had been awarded, and that it was perhaps not obvious from the list of prize-winners which criteria the Prize Committee would follow in the future. Nobel's will specified that the Peace Prize should be awarded to "the person who shall have done the most or the best work for fraternity between the nations, for the abolition or reduction of standing armies and for the holding and promotion of peace congresses"¹⁵. In considering his own eligibility for the Prize, Walras' attention must have been caught by the first part of this statement, for the proposal and the Memorandum may indeed be interpreted as arguing that free markets and free trade promote peace and fraternity between nations. Conceivably, Walras may seriously have believed that his work could be seen as just as productive in terms of world harmony as that of the peace activists or the Institute of International Law.

Second, Walras' decision to promote himself as a candidate may have been influenced by his reflections on one of the Prize Committee's previous choices. Frédéric Passy (1822-1912), who shared the 1901 Prize with Henry Dunant, made his early reputation in France as an economist. His most important economic publication was based on his lectures, *Leçons*

¹⁵ An English translation of an excerpt of Nobel's will may be read at the home page of the Norwegian Nobel Institute.

d'économie politique (1860-61), and he also published several other books and a large number of articles on economic subjects. It was not for his work in economics that he was awarded the Peace Prize, but he believed strongly that free trade would bring the nations of the world to the realization that they had a common interest in world peace; this would gradually lead to disarmament and the abandonment of war. In contrast to Walras, Passy became an ardent public spokesman for peace and contributed an enormous amount of work to the promotion of the international peace movement. It was this work, which made him widely known as "the apostle of peace", that was recognized by the Prize Committee. It is natural to think that Walras must have compared his own eligibility to that of Passy. In contrast to Passy, he could not boast of any active work for the international peace movement, but on the other hand his work on the theory of free markets and - more implicitly - free trade, was based on much more solid foundations than that of Passy. The formulation in the proposal about theoretical work being more important and its results more durable should perhaps be seen in this light.

Thus, Walras' implicit assessment of the probability of winning the Nobel Peace Prize may not have been as irrational as it appears to us today. But this modified judgement of his realism does not of course make it any easier to condone the methods that he used to promote his candidacy.

5. Walras' programme for peace.

The many curious aspects of this episode should not prevent us from considering whatever true merits there may have been in the arguments advanced in the proposal and especially in the Memorandum. We have seen that the arguments in the Memorandum were not - for reasons unknown - taken seriously in the report that Mr. Hammer wrote for the Prize Committee, and we may perhaps conjecture that the Committee members, who had no expertise in economics, did not try to go behind Hammer's presentation of Walras solely as a pioneer of mathematical economics. It is natural, therefore, to ask whether Walras had in fact deserved a better treatment. Was there a substance to the claim that his own intellectual contribution deserved to be seriously considered for the Nobel Peace Prize?

The justification of the proposal, as set forth in the Memorandum, has two main elements. The first part of the argument is that free trade is beneficial to world peace; therefore, it is

important that the theoretical arguments for free trade are properly understood. The second part consists of Walras' policy proposal on how to further free trade by abolishing tariffs and taxes and re-establishing government revenue on the basis of public ownership of land.

The trade promotes peace between countries is an old idea. There are two sides to this proposition. One is that international trade creates links of positive interdependence between countries, so that the cost of going to war increases for each individual country. The other is that the growth of trade tends to civilize people and make them more gentle. Hirschman (1982) traces the latter point back to several 17th century writers such as Montesquieu and Thomas Paine. Thus, Montesquieu wrote

“... it is almost a general rule that wherever manners are gentle there is commerce; and wherever there is commerce, manners are gentle.” (Montesquieu 1749, as quoted in Hirschman 1982, p. 1464.)

In John Stuart Mill's *Principles of Political Economy* (1848; 1965, p. 594) both aspects of the argument are expressed:

“It is commerce which is rapidly rendering war obsolete, by strengthening and multiplying the personal interests which are in natural opposition to it. ... the great extent and rapid increase of international trade, in being the principal guarantee of the peace of the world, is the great permanent security for the uninterrupted progress of the ideas, the institutions, and the character of the human race.”

Going back to the text of the Memorandum it is possible to see traces of both sides of the proposition. But on the one hand Walras was far from being the originator of the idea, and it is virtually impossible to argue that our understanding of this particular connection becomes any deeper by having the theory of competitive equilibrium formulated in mathematical language, at least in the way Walras did it¹⁶.

¹⁶ However, recent theoretical modelling and empirical research on the connection between international trade and war has indeed contributed to a better understanding of the issues involved. E.g., Martin, Mayer and Thoenig (2005) demonstrate the importance of distinguishing on the one hand between bilateral and global trade and on the other hand between local and global wars.

Ought we to believe that the type of tax reform suggested by Walras would be conducive to peace? On the one hand he clearly has a point when he argues that both tariffs and commodity taxes can discourage trade, and if more trade improves the chances for peace in the world, then a tax reform would improve the prospects for peace. But the other aspect of the reform is the nationalization of land, and here there is reason to have grave doubts about the wisdom of the reform. Wars are fought between governments, and if the government of one country realizes that the land it captures by war is the enemy government's property, it might easily increase the incentives for military aggression. On the whole, even if we accept the argument that trade between nations, by increasing interdependence as well as mutual understanding, promotes peace, the particular means to further trade that were suggested by Walras, fail to carry much conviction.

6. Concluding remarks.

Quite apart from the moral qualms that we may have about Walras' manoeuvres to obtain the Nobel Peace Prize for himself, it is natural for a modern historian of thought to believe that his expectations were completely unrealistic. However, we have seen that they may not have appeared so hopeless to Walras himself, given the information about the Prize that he had in 1905. And whatever chances he may have had, were certainly much reduced by the report on his qualifications written by the Prize Committee's adviser, Karl Vilhelm Hammer.

Nevertheless, it is difficult to argue that Walras deserved the Prize. The Committee may not have chosen the most worthy of the candidates for the 1906 Peace Prize, but it can hardly be claimed that Walras ought to have topped the list. In terms of Nobel Prizes his time had not come. If the economics prize had been founded at the time of the original prizes, he would have been an obvious candidate for one of the first awards. But when that prize - The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel - was awarded for the first time in 1969, Walras had been dead for more than half a century.

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