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Working Paper 2021:4

Department of Economics
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Why Was Keynes Not Awarded the Nobel Peace Prize After Writing "The Economic Consequences of the Peace"?

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Why was Keynes not awarded the Nobel Peace Prize after writing
The Economic Consequences of the Peace?

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Abstract: John Maynard Keynes became world famous with the publication of The Economic Consequences of the Peace in 1919, a harsh critique of the Versailles peace treaty. As a consequence, Keynes was nominated by German professors in economics for the Nobel Peace Prize three years in a row, 1922, 1923 and 1924. Because Keynes was put on the shortlist of candidates, he was evaluated in an advisory report in 1923, followed by one in 1924, prepared for the Nobel Committee of the Norwegian parliament.

This paper summarizes the two reports on Keynes. The appraisals were highly appreciative of Keynes's book as well as of his subsequent newspaper and journal articles on the peace treaty, raising the question: why did Keynes not receive the Peace Prize? The appraiser of Keynes even informed Keynes that he was "one of the foremost candidates proposed for the Nobel Peace Prize." However, the Peace Prize was not awarded in 1923 and 1924 although Keynes was declared a worthy laureate. There are no protocols that shed light on this issue. Still, the events surrounding the evaluation process, in particular the public clash between two advisors of the Prize Committee on Keynes's account of the negotiations at Versailles, encourage a speculative answer.

Key words: John Maynard Keynes, Nobel Peace Prize, Treaty of Versailles, reparations, Dawes Plan, Bretton Woods, Norway.

JEL codes: A11, B1, B31, D7, E12, E6, F3, F5, N1, N4.

Why was Keynes not awarded the Nobel Peace Prize after writing

The Economic Consequences of the Peace?

Introduction¹

John Maynard Keynes became world famous with the publication of *The Economic Consequences of the Peace* in December 1919. His critical account of the Treaty of Versailles, which had formally ended war between Germany and the Allies, was immediately translated into several languages, turning it into an international bestseller. The sharp political tensions emerging in the early 1920s between Germany and the Allies lent legitimacy to Keynes's pessimistic analysis of the peace treaty, particularly to his views concerning the reparations levied on Germany.²

The prominence of *The Economic Consequences of the Peace* in the international debate on postwar issues of peace and reparations inspired a group of German professors in economics

¹ I am deeply indebted to Geir Lundestad, executive director of the Norwegian Nobel Institute and secretary of the Norwegian Nobel Committee 1990-2014. He has generously provided me with the two reports on Keynes for the Nobel Committee of the *Storting*. He gives an inspiring account of the history of the Peace Prize as well as of his own experience of the work of the Nobel Committee in Lundestad (2019). Marte Salvesen at the Nobel Institute Library in Oslo and Arild Sæther have given me crucial help. Kurt Schuler has informed me about Wilhelm Keilhau's activities during the conferences in Atlantic City and Bretton Woods in 1944. Helge Simonsen, former administrative editor of the newspaper *Dagbladet*, has supplied me with the exchange between Jacques Worm-Müller and Wilhelm Keilhau in *Dagbladet* in 1924. The Wicksell archive of Lund University Library has brought out the correspondence between Knut Wicksell and Wilhelm Keilhau. The Archive Centre at King's College, Cambridge has provided me with the correspondence between Keynes and Keilhau. I am indebted to Roger Backhouse, Bruce Caldwell, Benny Carlson, Øyvind Eitrheim, David Laidler, Bo Sandelin, Kurt Schuler, Robert Skidelsky and Hans-Michael Trautwein for excellent comments. Hans-Michael Trautwein has also advised me about the lives of the German professors who nominated Keynes.

This report is the unintended consequence of joint work with Benny Carlson on the response of Swedish economists to *The Economic Consequences of the Peace* in the 1920s. See Carlson and Jonung (2019). When preparing this paper, I found remarks that Keynes had been nominated for the Peace Prize, *inter alia* in Moggridge (1992, p. 340). This information triggered my research on the treatment of Keynes by the Nobel Committee in the 1920s.

² The history and impact of *The Economic Consequences* are covered in many contributions; in most detail in chapters 15-16 of Skidelsky (1983), part I of Skidelsky (1992) and chapter 13 of Moggridge (1992). A recent summary is Dimand (2019) and the introduction by Cox (2019) to a reprint of *The Economic Consequences*. This introduction provides a concise account of the reception of Keynes's book and the many debates inspired by it.

at the University of Munich to nominate Keynes for the Nobel Peace Prize in 1922, 1923 and 1924. As his name entered the shortlist of candidates in 1923 and 1924, the Nobel Committee of the Norwegian parliament evaluated him in advisory reports in both years.

This paper summarizes the two reports on Keynes and the events surrounding them. The appraisals were highly positive of Keynes, his book, and his subsequent newspaper and journal articles on the treaty, which raises the question why Keynes did not receive the prize. There are no protocols from the meetings of the Prize Committee that could shed light on this issue. Still, the events surrounding the evaluation process, in particular the public clash between two advisors of the Prize Committee on Keynes's account of the negotiations at Versailles inspires the speculative answer provided in the summary of this paper.

The advisor to the Nobel Committee in charge of the evaluation of Keynes, Wilhelm Keilhau, became a friend of Keynes in the 1920s, when contacting him on the critique of *The Economic Consequences*. They met again in 1944 on the *Queen Mary* on their way to and at the Bretton Woods conferences, where Keilhau headed the Norwegian delegation. An appendix deals with their interaction in the 1940s.

The literature on Keynes is richer than that on any other economist. Still, no previous study has dealt with the reports on Keynes for the Peace Prize Committee. Thus, this paper fills a minor gap in the literature on Keynes and the 1920s.

The nomination of Keynes

The Nobel Peace Prize was established according to the will of the Swedish industrialist Alfred Nobel. Nobel specified that the Peace Prize should be awarded “to the person who shall have done the most or the best work for fraternity between nations, the abolition or reduction of standing armies and for the holding and promotion of peace congresses”. He assigned the task of selecting and awarding the Peace Prize to the Norwegian parliament, the *Storting*, in Kristiania (now Oslo), while the other prizes were administered by Swedish institutions.³ The first Peace Prize was awarded in 1901. Most of the prizes prior to World

³ Alfred Nobel prepared his will while Norway and Sweden were united in a union. The break-up of the union in 1905 did not affect the institutional set-up of the Nobel prizes.

War I were given to organizations.⁴ Following the outbreak of war in 1914, the Peace Prize was withheld until 1919 with the exception of the prize awarded to the Red Cross in 1917.

Since its beginning, the selection of Peace Prize winners is based on a system of nominations to the Nobel Prize Committee of the Norwegian Parliament. According to the official website of the Nobel Prize, Keynes was nominated for the first time in 1922, among 42 proposals.⁵

The nominators were two German professors in economics at the University of Munich, Georg von Mayr and Walther Lotz. Keynes was again, now among 91 nominees, proposed for the prize of 1923 by four professors, all in economics, from Munich: Walther Lotz, Adolf Weber, Georg von Mayr and Otto von Zwiédineck-Südenhorst. They returned with a new and final nomination in 1924. This time Keynes was among 53 nominees.⁶

The official website gives this motivation for Keynes for all the years he was nominated:

Keynes was one of the most distinctive British economists. During World War I he served as a consultant in the British Treasury. Keynes accompanied Lloyd George to the Paris Peace Conference as an economic advisor. He opposed the Allied reparations policy, and he advocated a more liberal attitude towards the size and amount of the economic sanctions imposed on Germany. He criticized the Versailles Treaty in "The Economic Consequences of the Peace" (1919/1920).⁷

In addition, this comment concludes the motivation:

⁴ See Lundestad (2019) for the history of the Peace Prize. See also Abrams (2001).

⁵ Keynes was not the first well-known economist to be nominated for the Peace Prize. In 1906, three Swiss professors nominated Léon Walras, using a letter outlined by Walras himself. Walras actively promoted his own candidacy, sending the Nobel Committee in Oslo several of his works in mathematical economics. See Sandmo (2007) for an account of Walras's effort to receive the prize. Responding to the news that the prize in 1906 was awarded to Theodore Roosevelt for his effort to end the Russo-Japanese War, Walras was convinced "that Roosevelt had snatched the Nobel Prize from him" (Sandmo 2007, p. 224). In short, Walras held a completely unrealistic view of his prospects to be a laureate. He was not considered as a serious candidate for the Prize.

⁶ See

<https://www.nobelprize.org/nomination/map2/?person=4817&nominee=true&year=all&prizes=peace>

⁷ See MLA style: Nomination Archive. NobelPrize.org. Nobel Media AB 2020. Wed. 23 Sep 2020. https://www.nobelprize.org/nomination/archive/show_people.php?id=9821

Keynes became so distressed by the harsh and unrealistic reparations policy that his health deteriorated and he resigned from his position as economic advisor to the Versailles Peace Congress.

The actual nomination letters, kept at the Nobel Institute in Oslo, give more detail to the arguments used by the German professors. Two such letters have been found – one from 1921 and one from 1924. The first one, posted from Munich on February 24, 1921, is a handwritten short letter consisting of four long sentences in German, signed by Georg von Mayr and Walther Lotz. They propose Keynes for the Prize because of *the courageous and unbiased account in Keynes's writings about the living conditions created by the Peace Treaty* (italics indicate translations from the original text). The two signatories are

convinced that because of his fearless advocacy for a dignified existence of countries that had previously been at war with England, Keynes has promoted more than anyone else mutual respect among nations and he has recognized the conditions necessary for a future state of true peace.

The letter ends with a hope that the proposal would be considered by the Committee in spite of arriving after the deadline of February 1. This was not the case. The proposal was apparently dealt with a year later, in 1922.

The second letter, typewritten and signed in January 21, 1924, by the same four professors, is considerably longer. The letter amounts to a praise of Keynes's ongoing work for peace in the world. No one has been as successful as Keynes in this task in recent years:

In his widely read books The Economic Consequences of the Peace and A Revision of the Peace Treaty, he has given the world a model how to recognize the implications of the Versailles Treaty in an objective and impartial way. ... The acceptance in the Anglo-Saxon world and among the neutral countries of the view that a thorough revision of the Versailles Treaty is not only in the interest of Germany but of the whole civilized world is ultimately the achievement of Keynes's writings. He has proved to the world that scientific research stands free from the interests of a single country and knows no boundaries in its search for truth. ... For these reasons we propose him [Keynes] for the award of the Peace Prize.

As part of its standard procedure, the Nobel Prize Committee makes a shortlist of the nominees and asks for appraisals of those on the shortlist. The task of appraising is usually given to a *konsulent*, an adviser, commonly working for the Nobel Institute in Oslo. The

nomination letters of the German professors gave rise to two advisory reports, one in 1923 followed by one in 1924.

The 1923 appraisal of Keynes

Following Keynes's nomination, the Nobel Prize Committee decided on September 18, 1923 that he deserved an appraisal. This task was assigned to Wilhelm Keilhau, serving as *konsulent*. He had an appropriate background, as his main field of study was economics. Keilhau defended a thesis in economics in 1916 on Ricardo's theory of rent.⁸ In 1921, he was appointed *docent* (associate professor) at the University of Kristiania.

Keilhau presented a ten-page appraisal of Keynes by the end of October, 1923. Six pages discuss *The Economic Consequences of the Peace*; three pages concern its sequel, *A Revision of the Treaty*, and Keynes's writings in 1922-23 on reparations; and a final page centers on the relationship between the peace issue and Keynes's analysis and recommendations.

The report starts with the following presentation of Keynes:

John Maynard Keynes is without a doubt the most prominent of younger English economists. He is an in-depth thinker with a comprehensive and open view, free from dogmas, of his tasks and duties. He has a rich knowledge about practical economic issues and verifies consistently

⁸ Knut Wicksell (1917), a devotee of Ricardo, published a scolding review of Keilhau's thesis, in particular Keilhau's claim to have discovered a calculation error by Ricardo, see Keilhau (1916). Wicksell notes that Keilhau started out as a journalist and suffers from the drawbacks of journalism: "shallowness and scribbling". Keilhau (1918) replies, excusing himself for writing his thesis "too fast" due to other assignments, and stating that he plans to prepare a second volume on the theory of Ricardo once he gets time for scientific work. Replying, Wicksell (1918) hopes for and looks forward to a "new and better book" by Keilhau. Actually, Keilhau kept his promise and published a second volume a few years later; entitled *Die Wertungslehre*, see Keilhau (1923). In December 1923 in a letter to Wicksell, Keilhau takes a polite letter from Wicksell "as a sign that you have found my recent book better than my debut work. Is this too bold an interpretation?" Then Keilhau reveals that he thought Wicksell was too unfair concerning his first book but that he has learnt to be more careful in the second volume. The letter from Wicksell to Keilhau has not been found. See <https://www.alvin-portal.org/alvin/imageViewer.jsf?dsId=ATTACHMENT-0001&pid=alvin-record:175053>. In his summary of the life of Keilhau, Munthe (1992, p. 141) notes that Keilhau's sequel to his dissertation did not improve his academic reputation. Instead, it demonstrated that he "had chosen the wrong theme for his first scientific work".

his theoretical thinking with immediate observations of available facts. At the same time, he searches for a more philosophical foundation for his scientific reasoning than commonly is the case for economists of older schools.

After praising *A Treatise of Probability* as Keynes's main scientific work and noting that Keynes has been editor of the *Economic Journal*, the leading English scientific journal in economics, since 1912, Keilhau moves on to Keynes's role in the negotiations at the Paris peace conference. Here he gives an account of the events leading up to the publication of *The Economic Consequences of the Peace*.

According to Keilhau, Keynes held from the very beginning a *far more liberal view of the economic issues than that which dominated the conference*, as shown by his pushing for a fixed sum for reparations and for a settlement of inter-Allied war debt. Keilhau summarizes the seven main points in Keynes's proposal for reparations from Germany and Austria that British Prime Minister Lloyd George sent to U.S. president Woodrow Wilson on April 23, 1919, during the Versailles conference. On May 5, Wilson rejected the plan on the grounds it would place too much of the financial burden on the United States.

Robert Cecil, a prominent British member of parliament, was the chairman of the economic council at the peace conference.⁹ The council established a working group of experts to prepare a memorandum on the economic situation in Europe. Rapidly, the experts concluded that it would be impossible for Germany to meet the requirements envisaged in the proposed Treaty. The report had no effect on the Allied leaders.¹⁰

At this point, when Keynes understood that the Allies were not going to soften their reparation demands on Germany, he withdrew from the peace conference on June 7 as a representative of the British Treasury and as a member of the economic council. He returned to England and swiftly wrote *The Economic Consequences of the Peace*, published in December 1919.

It must be said about this book that it gives a completely overwhelmingly convincing critique of the economic provisions in the peace treaty, and that the forecasts of the book about the economic consequences of the Treaty for Europe have been confirmed to a rather tragic

⁹ Robert Cecil received in 1937 the Peace Prize for his work with the League of Nations.

¹⁰ The Allied leaders at the Conference – the Big Four – were Georges Clemenceau (France), David Lloyd George (Britain), Vittorio Emanuele Orlando (Italy), and Woodrow Wilson (United States).

extent by recent events. Keynes, who has written a theoretical dissertation about probability and chance, has proved here that he has mastered the subject of giving a correct evaluation of chance and demonstrated a capacity to make forecasts on economic issues.

Keilhau continues by stressing that Keynes understood that he had to find an approach that attracted attention to his ideas. For this reason, the first chapter of the book starts with

a thorough and indiscreet account of the negotiations in Paris. To some extent, the psychologist or the artist in Keynes takes over [from] the politician and polemicist; the depiction of the Big Four is something of a literary masterpiece, but it has also made the thoughts of the author almost loathed among a wide audience.

Then Keilhau discusses thoroughly Keynes's portrait of Woodrow Wilson, who had received the Peace Prize in 1919. Keynes casts Wilson as a victim of his own idealism, unable to implement the Fourteen Points in the armistice of 1918 and an easy prey to the will of others. Keilhau rejects the view that Keynes's account of Wilson has contributed to the withdrawal of the United States from European affairs. In his opinion, this withdrawal started before Keynes's book was published.

Next, Keilhau gives an exhaustive description of Keynes's analysis of the economic aspects of the Treaty. He states that Keynes's calculations and thus his conclusions are *based on both thorough and objective investigations*, but were to no avail. In the London agreement of May 5, 1921, Germany agreed to pay reparations more than three times greater than Keynes's estimate of its maximum capacity to pay.

Moving forward in time, Keilhau comments favorably on Keynes's book *A Revision of the Treaty*, published in early 1922, as well as on his articles of May and July 1923 in *The Nation* and *Athenaeum*, a leading British political weekly of which Keynes was part owner.

When Keilhau summarizes the work of Keynes, he stresses that Keynes's proposals are *based on a view which can perhaps be classified as supranational. Keynes is fighting for the interest of Europe and the world of culture. He always has the big picture in mind. He is neither pro-French, pro-German nor pro-English. ... Hardly ever does he use offensive words about countries. Instead, he turns sharply against those politicians who are responsible.*

The central names here are Clemenceau, Lloyd George and Wilson. Keilhau also brings out Keynes's critique of his own party, the Liberal party.

Keilhau concludes his description of Keynes as a man who has maintained *his holy outrage and great courage. Among the many spokesmen for various interests, he stands out as a fearless knight of truth.*¹¹

Finally, in one crucial page, Keilhau discusses the continuing relevance of Keynes's analysis for peace in Europe. He starts in the following way:

John Maynard Keynes has arrived at the issue of peace from a purely economic perspective. He was sent to the peace conference in Paris as economic adviser for the British delegation. He understood from the very onset that modern civilization ... is built upon full freedom of economic activities across the world. Thus, the economies of the countries in Europe are interdependent. In Keilhau's opinion, it is most difficult for France to understand the correctness of this insight of Keynes, because France is less dependent on foreign trade than Britain.

From a pure peace perspective, it is, however, impossible to close one's eyes to the fact that economic anomalies today serve as permanent causes of war. It should be stated that the most important of all work for peace in this time should aim at eliminating the economic origins of war. But such work requires a clear understanding of the character of these causes. For this reason, any modern policy for peace must build on accurate economic knowledge. It is no longer sufficient to campaign for peace with beautiful language and sonorous sentences. A modern agitation for peace should be based on arguments derived from precise knowledge about existing economic anomalies and the best possible evaluation of the consequences they may have.

After this declaration, Keilhau turns to an appraisal of Keynes's contribution, stating that in work for peace based on an understanding of economics, *Keynes has without doubt in the most recent years been the pioneer ahead of everybody else. With his great scientific authority, his capacity to find striking expressions for his thoughts, his clear constructive imagination and his respect for facts, free from all illusions, he has had exceptional*

¹¹ Keilhau's evaluation of Keynes is here very similar to the views presented by Swedish economists like Gustav Cassel, David Davidson, Eli Heckscher and Knut Wicksell upon the publication of *The Economic Consequences of the Peace*. Heckscher for example praised Keynes as "the spiritually free man, 'the independent gentleman', a species extinct in almost all other nations". See Carlson and Jonung (2019). The Swedish critique of Keynes's view of the reparations program came later in 1929 with Bertil Ohlin's analysis of the transfer problem.

qualifications to spread knowledge about the economic causes of war. It should also be stated that he has opened the eyes of an increasing number of us that the Versailles Treaty is not the foundation for a lasting peace. As all true friends of peace around the world oppose the Treaty, Keynes has the honor of this fact to a substantial extent.

Keilhau ends his report in this way:

Unfortunately, the ideas of Keynes have not to the same extent had an impact on the governing authorities. But the economic, social and moral decay we see in Europe in recent months confirms how bad it has been for politicians to close their eyes to the facts Keynes has pointed at. It is possible that it would not have been advantageous for all governments now in power, if they had listened to Keynes. It is without doubt that if they had followed his advice, we would have lived in a happier Europe and in a real peace.

To sum up, Keilhau presented a highly positive judgment of Keynes. He agreed with Keynes's analysis, recommendations and critique of the Treaty of Versailles. He heaped praise on Keynes for contributing to a peaceful Europe.

Did this report influence the Committee's decision on the Peace Prize in 1923? Apparently not: the Committee awarded no prize that year. See Table 1 for a summary of the laureates from 1919-1929.

Keilhau's 1923 appraisal starts a correspondence between him and Keynes that carries over into 1924 in a heated debate on Keynes's account in *The Economic Consequences* of his role in the negotiations at Versailles. Just two days before signing his appraisal of Keynes on October 26, 1923, Keilhau writes on the official letterhead of the Norwegian Nobel Committee of the *Storting* to Keynes on October 24:

Dear Sir,

Writing one of the confidential reports of the Nobel Committee I am just at present dealing with the question of your work during the Peace Conference of Paris. I take the liberty of asking you a direct question on the subject.

The question concerns Keynes's opinion on a footnote on page 65 of the book *What Really Happened in Paris*, reported by Keilhau as: *It is stated by the official interpreter, Captain Mantoux, that Mr. Keynes never attended a regular session of the Council of Four*; ¹²

Keilhau continues: *I should also be thankful if you would tell me which sources on the whole you have been using for your description of the meetings of those Big Four*". ¹³ He asks Keynes for a quick reply:

As my work shall be finished within a very short time it would be very convenient for me to receive your answer as soon as possible. As I am not working at the institute every day I should prefer to get your letter under my private address, ...

Ending the letter, Keilhau informs Keynes that he has sent him *copies of my book Die Wertungslehre and a short pamphlet I have published on the Ruhr-question*. ¹⁴

Apparently almost immediately, Keynes replies to Keilhau on October 31, 1923 stating that Haskins's account "*is not true. I was present at meetings of the Council of Four on many occasions, as is recorded in the Minutes of the Council, copies of which are in my possession*." Moreover, Keynes regarded the attack by Haskins as a "*false insinuation*". ¹⁵

On December 28, Keilhau responds, revealing to Keynes that he had been a strong candidate for the Peace Prize:

I am also very thankful for the clear and definite answers to my questions that were given in your letter of October 31. At this time I can, though confidentially, mention why I wrote to you. This year you were one of the foremost candidates proposed for the Nobel Peace Prize – which, however, was not adjudged for 1923 – and, as the adviser of the Committee for

¹² Keilhau refers to a note in a chapter by Charles Haskin, a member of the American delegation at the conference in Paris, in a volume published as *What Really Happened at Paris*, a book by American delegates at the Versailles Conference. See Haskins (1921).

¹³ The full footnote appears on pp. 65-66 in Haskins (1921).

¹⁴ In this pamphlet, Keilhau (1923b) is very critical of the French-Belgian military occupation of the Ruhr district initiated in January 1923 to extract reparations payment from Germany. The occupation stirred strong nationalistic feelings in Germany. *Die Wertungslehre* was the volume that Keilhau promised Knut Wicksell as a sequel of his criticized dissertation. See note 8.

¹⁵ See Johnson (1977, pp. 104-109) for a broad account of the correspondence between Keilhau and Keynes in 1923 and 1924. She states mistakenly that Keilhau was a member of the Nobel Committee of the Norwegian Parliament; rather he was serving as a *konsulent* for the Committee.

economic questions, I had to write the confidential report concerning the Peace work of Mr. Keynes. Now I happened to know that a member of the Committee had read "What Really," and therefore found it to be my duty to secure a statement of the truth. ...

Keilhau ends his letter by his conclusion from his appraisal of Keynes, translated as:

However, the ideas of Keynes have not made the same impression upon the statesmen in power as on the public. This is most deplorable, for had these statesmen acted on his advice, there is every possible reason to believe that we now should have seen happier days and been able to work under the benefits of a real peace.

Yours faithfully,

Wilhelm Keilhau

Keilhau's revelation to Keynes about his candidacy to the prize is exceptional. He was clearly breaking with the code of conduct pertaining to those involved in the selection process for the Nobel prize. This code holds for all categories of the prize. This raises the question if Keynes was expecting to get the prize following Keilhau's obvious indiscretion. However, I have found no evidence of this being the case.

The 1924 appraisal of Keynes

For the 1924 prize there were 31 nominees, including Keynes. The Nobel Committee again asked Keilhau for an appraisal. His report of eight pages concentrates on two issues: Keynes's activities since Keilhau's advisory report of 1923, and criticism of Keynes's account of the meetings he claimed to have attended at the Versailles conference. The criticism was raised by a *konsulent* colleague of Keilhau in a newspaper article.

The report starts: *John Maynard Keynes has continued with his articles about current political and economic issues. In England they are published in The Nation and Athenaeum, in Germany in Wirtschaftsdienst; most of them have also been translated into other languages.*

In all of his contributions Keynes has pursued the same line of argument as he adopted in his book about the economic consequences of the peace: first of all, an economic recovery should take place, because the unresolved international issues are of economic character.

Keilhau notes that Keynes has continued to employ a *solid analytical approach* and clear logical reasoning, although no *epoch-making* result has emerged from his recent articles. He then turns to *A Tract on Monetary Reform*, published in November 1923, arguing that it is of much greater interest than Keynes's other recent writings. The book is *a clear, panoramic and deep treatment of the economic problems of the postwar period that no other author would be capable of preparing. Without doubt, this book will serve as the main source in the future for an understanding of economic thinking about postwar problems.*

A main message of the *Tract* is that a stable value of money contributed to rapid economic progress across the world during the 19th century, but recent inflation has had disastrous consequences. Keynes lacks a solid explanation of the causes of inflation, though. According to Keilhau, they are found in the attempts to finance the war by government borrowing. Had this explanation been fully incorporated in the book, it would have been *an important document in the modern history of the peace movement. Now others will take over the task of supporting the case for peace by using the contents of Keynes's latest book.*

Keilhau also criticizes the *Tract* for its focus on economic analysis, in this way ruling out a *plea for peace and internationalism*, by arguing against a return to the gold standard. Instead, Keynes advocates that monetary policy should aim at a constant purchasing power through an *index standard*. However, such a standard would be set at the national level for the foreseeable future, leading to a system of fluctuating exchange rates. In Keilhau's opinion, a gold standard has the great advantage of promoting *peaceful* international trade. He believes that Keynes has missed this point because he *thinks much more like an Englishman than a citizen of the world*. He argues that Keynes fears that England would be hurt and the United States would benefit from a return to gold.¹⁶

Evaluating Keynes's most important accomplishments during the last year, Keilhau suggests that they primarily concern the discipline of economics, not the issue of peace. However, regarding work for peace, Keynes's favorite idea of a settlement of international debt payments on *a scientific economic basis* has been successful, judging from the report presented by the First Commission of Experts in April 1924. Keilhau is referring here to the Dawes Commission, named after its chairman, the banker and politician Charles Dawes, who would later become vice president of the United States. It was appointed by the Allied

¹⁶ At the time, the United States was on the gold standard, but Britain would not return to it until 1925.

Reparations Commission in the fall of 1923 with the task of finding a solution to the growing tensions between Germany and France concerning Germany's refusal to pay reparations and the subsequent French-Belgian occupation of the Ruhr area.

Many would have expected Keynes to be a member of the Dawes Commission. In Keilhau's view, Keynes's harsh critique of the Reparations Commission ruled him out. Nor did Keynes exercise an influence on the plan of the Dawes Commission, judging from the objections he raised against it. He believed that the complicated system for payment would not last and that the moratorium given to Germany was too short. However, there is one element of the report of the experts that is fully consistent with Keynes's recommendations: the use of an international loan to facilitate German reparations.

Next, in the last five pages of his report, thus the bulk of the report, Keilhau turns his attention to a sharp attack on Keynes entitled *Løgnen om Wilson* ("The lie about Wilson"), published in the Norwegian newspaper *Dagbladet*, on February 5, 1924. The author, Jacob Worm-Müller, is a doctor of history as well a *konsulent* at the Nobel Institute, and thus a colleague of Keilhau.¹⁷

These two advisors get involved in an acrimonious exchange on Keynes and Wilson in the *Dagbladet* in the following weeks. The trigger for the debate is the death of Woodrow Wilson on February 3, 1924. In Worm-Müller's opinion, reporting on Wilson in the Norwegian press was based on the *myth* expounded by Keynes that Wilson arrived *at the Peace conference rather unprepared and that he was completely outmaneuvered by the other participants of the Conference*.

This is *rather incorrect*, according to Worm-Müller, who claims that he has been in contact with Lloyd George, Clemenceau and Bourgeois and that he has had access to still confidential documents from the negotiations at the Conference.¹⁸ The information obtained by him demonstrates that Keynes *has borne false witness against his neighbor*. His famous account of the Big Four is shallow and sensational in order to create an interest in his economic proposals. Serving as an economic expert, Keynes *was never* [in spaced text, for emphasis]

¹⁷ See Worm-Müller (1924a). Jacob Worm-Müller (1884-1963) was appointed *docent* (associate professor) in history at the University of Kristiania in 1919. In 1928, he became full professor. In the interwar period, he also served as a Norwegian delegate to the League of Nations.

¹⁸ Léon Bourgeois was awarded the Peace Prize in 1920 for his work for the League of Nations. See Table 1.

asked to attend a meeting with the Big Four, and thus he can not give a true account of their negotiations.

Next, Worm-Müller describes how Wilson developed his proposal for the League of Nations in the summer of 1918, revised it just before the Versailles Conference and made a third revision during the Conference. According to Worm-Müller, *The tragedy of Wilson is in my opinion not only that he did not have the power to carry through all of his program, but that his great unselfish work at Versailles has been described so mendaciously and bloody unfairly by Keynes.*

A week later, Keilhau replies in *Dagbladet*, strongly rejecting Worm-Müller's condemnation of Keynes.¹⁹ First, Keilhau argues that disillusionment about Wilson started long before the publication of Keynes's book. It is a gross overstatement to blame Keynes for the well-deserved criticism of Wilson.

Keilhau also repudiates the claim that Keynes has given false testimony, suggesting that Worm-Müller has been inspired by a footnote in the report by Charles Homer Haskins, published in *What Really Happened at Paris*. According to Keilhau, Keynes has twice refuted the insinuations by Haskins, first in *The Times* on May 24, 1921 and then in the *New York Evening Post* of July 14, 1921, not being challenged by Haskins as far as Keilhau knows.

Keilhau states that Keynes was present at the meeting of April 29, contrary to the claim by Haskins, referring to the private letter from Keynes to Keilhau of October 31, 1923 on this matter.²⁰ Keilhau declares: *I have decided to bring out this information not only because I regard Keynes as a prominent democrat but also as a fearless spokesman for the truth. As Worm-Müller gives an incorrect picture of Keynes, Keilhau ends his article in this way: not only lawyers but also historians should follow the old advice audiatur et altera pars – listen to the other side as well.*

The dispute between the two now turns rancorous. Worm-Müller responds to Keilhau with an article *Naar hr. Keilhau oversetter* (When Mr. Keilhau translates) a few days later.²¹ He declares that he stands unwaveringly behind his accusation of Keynes. The claim by Keynes that Wilson *had no scheme, no plan, no constructive ideas whatever and so on is a plain lie*,

¹⁹ See Keilhau (1924a).

²⁰ This letter from Keynes to Keilhau is reprinted in Johnson (1977, pp. 104-109).

²¹ See Worm-Müller (1924b).

as seen from all the documents from the Conference and judging from the inquiries into the matter made by Worm-Müller himself.

Worm-Müller stresses that he does not base his claim that Keynes had never been present at the regular meetings of the Big Four on Haskins's account. In addition, he argues that Keilhau gives a faulty interpretation of the footnote by Haskins. The note shows that Keynes was present on April 29 but that it was not a regular meeting although Keynes gives the impression it was. Worm-Müller ends by saying that Keilhau gives him the old advice to listen to the other part. But he cannot return the compliment. Instead, he advises Keilhau to use a translator, working under oath, next time he needs guidance on linguistic matters.

A final rejoinder by Keilhau is published a few days later as *Worm-Müller contra Worm-Müller* (Worm-Müller against Worm-Müller).²² To shed light on his translation, Keilhau reprints most of the English version of Haskins's by now famous footnote, so the reader can decide if his translation to Norwegian is a proper one. He argues that Haskins's note has been used widely to discredit Keynes, citing from a private letter from Keynes to him: *This statement is not true. I was present at the meetings of the Council at many occasions as is recorded in the Minutes of the Council, copies of which are in my possession.*²³

Next, Keilhau quotes directly from Worm-Müller's claim in his first article of February 5 that Keynes was never present at the meetings of the Council of Four. This categorical statement originally inspired Keilhau to defend Keynes publicly. Now Keilhau concludes that Worm-Müller in his recent article denies his earlier claim by translating Haskins's footnote in such a way that it shows that Keynes was present. In the rest of his article, Keilhau argues that Worm is too supportive of Wilson; instead, he should acknowledge that Wilson had some weaknesses, just as Keynes has stated that he might have been too critical of Wilson.

The fiery public exchange in February 1924 in *Dagbladet* between the two advisors to the Nobel Committee resurfaces in the report prepared by Keilhau on Keynes in the fall of that year.²⁴ It is obvious here that Keilhau wants to demonstrate that he is right in defending Keynes against Worm-Müller.

²² Keilhau (1924a, 1924b) and Worm-Müller (1924b).

²³ The full letter is reprinted in Johnson (1977, p. 104).

²⁴ The debate in February 1924 between Worm-Müller and Keilhau echoes the objections initially raised by Paul Mantoux in an interview in the *Times* in February 1920 against the picture painted by Keynes in *The Economic Consequences of the Peace* on his role at the Versailles conference. According to Mantoux, who served as Clemenceau's interpreter at

According to Keilhau's account to the Committee, Worm-Müller raises a very serious accusation against Keynes in *Dagbladet*. If Worm-Müller is correct, *Keynes would be completely unworthy ever to receive a reward such as a Nobel Prize*. For Keilhau, Worm-Müller's claim seems implausible: *Keynes is a man of such a prominent position that it is difficult to believe that he would try to publish sensational but faulty claims that are easy to refute*.

Still, since Worm-Müller is a *konsulent* colleague, Keilhau feels he should launch an investigation to shed light on the actual cause of events. Thus, in September 1924, he writes to two individuals he believes may give *decisive information*, Sir Maurice Hankey, secretary for the Council of Four, and Professor Paul Mantoux, who served as interpreter at the Conference.

Both respond quickly. Keilhau includes their replies *in extenso* in his report. Hankey answers to Keilhau in a letter of September 16, 1924 from London:

I have had the records of the so-called Council of Four in Paris carefully examined. I find that Mr. J. M. Keynes is recorded as having been present on nine occasions. ... My records only state that the meetings were held in President Wilson's house, and they do not mention which room was utilized for each particular meeting.

Hankey explains that the meetings with a large number of experts took place *in the large drawing room of the President's house. When the Experts had left, the Council would often adjourn to the downstairs room for further deliberation. ... Some important decisions seem to have been taken at the large meetings at which Mr. Keynes was present. Nevertheless, it would be incorrect to say that the large meetings were typical of the work of the Council of Four. The Council held altogether 196 meetings, the vast majority in President Wilson's downstairs study.*

The letter from Mantoux, written in Geneva and dated September 13, 1924, has the same message: the meetings with many participants were *held upstairs in a large drawing room,*

Versailles, Keynes did not attend the meetings of the Big Four downstairs in President Wilson's apartment, only the meetings with the experts in a room upstairs. The interview with Mantoux was used a year later by Haskins to assert that Keynes had not taken part in any of the regular sessions of the Council of Four. See Skidelsky (1983, pp. 397-398).

while the Council of Four usually met downstairs in Wilson's study, a smaller room. Mantoux reports that

I never suspected Mr. Keynes of describing something he had not seen, but I am afraid he created a confusion in his readers' minds between some large meetings in which he participated and the usual meetings of the Council, which he perhaps attended on rare occasions, although I have no recollection of it at present.

As for the mention made of his presence in some minutes of the Council of Four, it might be easily explained even if he never attended any of the meetings downstairs, because the minutes of the meetings upstairs in the large drawing room were naturally part of the same series of records.

Believe me, Dear Sir,

Yours faithfully,

Paul Mantoux

Commenting on the letter from Mantoux, Keilhau quotes from page 27 of *The Economic Consequences of the Peace*, in which Keynes stated that the regular meetings of the Big Four took place upstairs and *their private and unattended conferences in a smaller chamber below*.

Keilhau explains that the reason why Keynes described the meetings upstairs as the regular ones was that he knew that they were covered by recorded minutes, but he believed that this was not the case with the meetings downstairs. This is the explanation that Keynes *gave me in a conversation about the matter this summer*. Thus, Keilhau took his investigation to a private meeting with Keynes in London.²⁵

Keilhau and Keynes correspond in the fall of 1924 as well.²⁶ Keilhau informs Keynes in a letter of September 29 that Hankey and Mantoux had responded to his request for information

²⁵ The meeting took place probably in August or September 1924 judging from a letter from Keilhau to Keynes of September 15 where he thanks Keynes *for your kindness to me during my stay in London*. In this letter, Keilhau informs Keynes that he has written to Mantoux and Hankey *for the questions connected with the Nobel Prize*.

²⁶ See Johnson (1997, pp. 107-109).

about Keynes's attendance at the Versailles Conference. The full letter of Mantoux is enclosed for Keynes's information, as well as Keilhau's response to Mantoux.²⁷

Keynes replies to Keilhau on October 7, 1924.

Dear Mr Keilhau,

I am indeed very much obliged to you for all the trouble you have taken about Professor Mantoux's misrepresentations. The letters you send me are highly interesting, and also satisfactory. In effect, Professor Mantoux's allegations collapse entirely.

Keynes continues to explain the difference between the meetings upstairs and downstairs as perceived by him.²⁸

Summarizing his correspondence with Hankey and Mantoux, Keilhau argues that it shows that minutes were made from the meetings downstairs as well, thus Keynes was *misinformed*. His use of the term "regular meetings" as adopted on page 27 in *The Economic Consequences of the Peace* is *misleading*, according to Keilhau.

My investigation has thus given the following result: It is not correct that Keynes – as Worm-Müller has claimed – never [in italics] has been called to the Council of Four. In complete contrast, according to the official minutes, he was present at nine meetings; at some of these important decisions were made. Keynes has not claimed that he took part in the more closed meetings in President Wilson's study.

Keilhau completes his 1924 report on Keynes for the Nobel Committee by stating that Keynes's presence at nine meetings are sufficient for a *man with such an acute capacity to observe and artistic ability as Keynes to have seen and heard enough to be able to give a lively and personal account of them – this can hardly be denied*.²⁹

²⁷ The full letter of Mantoux was sent by Keilhau to Keynes for his private information. It is reprinted *in extenso* in Johnson (1977, p. 107).

²⁸ It is worth noting in this context that Étienne Mantoux, son of Paul Mantoux, was the author of a highly critical account of *The Economic Consequences of the Peace*. See Mantoux (1946). He was killed in action in Germany in April 1945, about a week before the end of the war. Paul Mantoux wrote a foreword to this volume on the life and talents of his son.

²⁹ Moggridge (1992, p. 340) reports that "as a part of the investigations surrounding the possibility of awarding the 1923 Nobel Peace Prize to Keynes, Mantoux was asked to confirm Haskin's report; he equivocated." It is clear from Mantoux's letter above that he does not rule out that Keynes had attended the meetings downstairs. Moggridge notes that the minutes from

Keilhau's new plea for Keynes did not meet with success. No Peace Prize was awarded in 1924. After that year, Keynes was not nominated again.³⁰

Still, the contacts between Keynes and Oslo continued. The Nobel Prize Committee in October 1924 invited Keynes *to come to Oslo and deliver a series of lectures at the Nobel Institute on the international economic questions raised by the war and the post war conditions*. Keynes replied positively but was prevented to accept due to his lectures at Cambridge in May 1925. Fredrik Stang of the committee wrote again in December 1925 to Keynes suggesting that he came to Oslo in September-October 1926 to give eight lectures. Keilhau followed up this invitation with a private letter to Keynes, urging him to visit Oslo. Nothing came out of this. Keynes never visited Norway.

Why was Keynes not awarded the prize?

Keilhau gave Keynes a very favorable report in 1923 and a less favorable, but clearly a very positive, appraisal in 1924, defending Keynes from the attacks by Worm-Müller. Still, Keynes was not awarded the prize. In fact, no Peace Prize was conferred in those two years.

Unfortunately, there are no records of the deliberations behind the final selection of the laureates that can disclose the arguments used against the selection of Keynes. Still, it is possible to draw conclusions from the awards actually given in the interwar period, the two reports by Keilhau and the debate between Keilhau and Worm-Müller.

In the 1920s, following World War I, the Nobel Committee awarded the prize primarily to people in high political positions working for international cooperation. As Lundestad (2019, p. 48) stresses, many people, not least in Norway, viewed the League of Nations as the key for establishing a peaceful world. Out of 21 Peace Prizes from 1919-1939, ten had *a close connection* to the League and three had *weaker connection*, according to Lundestad. This association was strongest immediately after the war, starting with the prize to Woodrow Wilson in 1918, followed by Léon Bourgeois in 1920, Hjalmar Branting and Christian Lange

the Council of Four suggest the presence of Keynes on at least eight meetings April-June 1919. This number is close to the nine occasions mentioned in the letter by Hankey above.

³⁰ In principle, a member of the committee could have nominated Keynes for the Peace Prize, but the fact that his name did not occur among the standard nominations effectively reduced his chances for being selected.

in 1921, and Fridtjof Nansen in 1922. All had vigorously promoted the League or, as in the case of the Norwegian Nansen, had worked for it (see Table 1).

No prize was awarded in 1923, 1924 or 1925. The prize for 1925 was given retroactively in 1926 to Austen Chamberlain, the foreign minister of Great Britain, for his part in the Locarno Treaties, and to Charles Dawes, for the Dawes Plan, viewed by the Nobel Committee as the *underpinning of the Locarno Pact of 1925*.³¹ The prize of 1926 went to Aristide Briand, foreign minister of France, and Gustav Stresemann, foreign minister of Germany, for their contributions to the Locarno Treaties, signed in October 1925. The prizes of 1925 and 1926 thus all went to political leaders connected with the Locarno Pact.

It is clear from the list of laureates after the Great War that Keynes did not fit into the general pattern of laureates. He was not a political actor who promoted the League of Nations, nor was he active as an official working for international cooperation and peace. He did not even hold an official position.³² He was an independent voice outside the establishment trying to foster peace using economic analysis. Still, he was well known. *The Economic Consequences* made Keynes famous, probably turning him into the best-known economist in the world by 1922-23, although he was not yet the towering figure in academic economics he turned into later.³³ Thus, his nomination ran counter to the spirit and thinking permeating the Nobel Committee in the 1920s.

There were probably additional reasons why Keynes was not awarded the Peace Prize. Keynes was a controversial choice for many reasons. He emerged as a voice not just outside of the establishment, but critical of it, with the publication of the *The Economic Consequences of the Peace*. There he clearly showed how an international agreement like the Versailles Treaty could turn into a threat to a peaceful world. His scathing portraits of Wilson, Clemenceau and Lloyd George undermined the credibility of the peace process.

³¹ As stated in the list of peace prize laureates in Lundestad (2019, p. 201).

³² Keynes did not pay much attention to the League of Nations in *The Economic Consequences of the Peace*. See also Skidelsky (1983, p. 384 and 395) on this point.

³³ This conclusion is based on the comparison by Carlson (2009) of the number of mentioning of the name of Gustav Cassel and John Maynard Keynes in *The Economist* 1919-1930. Cassel and Keynes competed for the position as “most world-famous”. By 1924, Keynes was clearly ahead of the Swedish economist.

Such a perspective was likely difficult for the members of the Nobel Committee to accept; particularly given that they had selected Woodrow Wilson for the Peace Prize in 1919 for his work to establish the League of Nations. To give the prize to Keynes in 1923 or 1924 might be viewed as a criticism of Wilson, and thus of his prize, and indirectly of the establishment of the League of Nations, an outcome of the Versailles Treaty.

Besides, two members of the Norwegian Nobel Committee had nominated Lloyd George for the prize in 1922, although unsuccessfully. It is possible that the highly negative picture of the character of Lloyd George in *The Economic Consequences of the Peace* prevented his selection as a recipient. His name did not appear among the nominees after 1922. When Keynes was discussed in 1923 and 1924, these two members, Cornelius Bernhard Hanssen and Halvdan Koht, are likely to have been hostile to him due to his portrait of Lloyd George.³⁴

The composition of the Nobel Committee is likely a reason why Keynes was denied the Peace Prize. The ordinary members in 1923 were Fredrik Stang, professor of law, previously prominent in the Conservative party; Cornelius Bernhard Hanssen, member of the *Storting* for the Liberal party; Hans Jacob Horst, director of a commercial bank, earlier member of the *Storting* as a Liberal; Halvdan Koht, professor of history, engaged in the Labor party; and Wollert Konow, former prime minister for the Liberal party. The Committee of 1925 had the same members with the exception of Christian Knudsen, who replaced Konow on the latter's death in March 1924. Knudsen was a driving force in the creation of the labor movement in Norway. He left the *Storting* in 1915.

As emphasized by Keilhau in his 1923 appraisal, *The Economic Consequences of the Peace* was a plea for economic analysis as a guide for political action, pushing aside political considerations. Such an economic approach to the peace issue was new and probably difficult to accept for these members of the committee.³⁵ They all had backgrounds as politicians.

³⁴ In addition to Cornelius Bernhard Hanssen, member of the *Storting*, and Halvdan Koht, professor in history, Charles Evans Hughes, U.S. Secretary of State, nominated Lloyd George that year. The following year, Halvdan Koht nominated Charles Evans Hughes for his work to establish the Dawes Commission. Koht also nominated Josef Stalin for the Peace Prize in 1945. (Information taken from the nomination archives of the Nobel Prizes.)

³⁵ Discussing the nomination of Léon Walras for the Peace Prize in 1906, Sandmo (2007, p. 226) remarks that the committee members at that time “had no expertise in economics”. The same was most likely the case in 1923 and 1924 although they had access to the thorough reports of Keilhau.

Some of them had been active in various organizations for peace. Apparently, none of them had any deeper understanding of the economic issues raised by Keynes.³⁶

As politicians, they might also have feared that a prize to Keynes would be seen as Norwegian support for Germany against the Allies. Keynes's message in *The Economic Consequences of the Peace* was viewed by many in the public debate, not only in France, as being pro-German.³⁷ Such a fear may have been fueled by the fact that Keynes's nominators were all from Germany. If the committee had looked into the background of the four German professors behind the nomination, it would have found that they were not ranked among the most respected ones in their fields, nor were they known for any work for peace and international cooperation. Rather, their profiles were conservative and nationalistic, most clearly was this case of Georg von Mayr.³⁸ In addition, there was no nomination of Keynes from any other country. Often, the nominators of laureates were dispersed across countries.

Keilhau's second appraisal of Keynes in 1924 probably reduced Keynes's chances to be selected as a laureate, for at least two reasons. First, Keilhau argued there that Keynes did not have an international outlook, rather a British perspective, when analyzing the workings of the gold standard. The gold standard was an instrument for peace, in Keilhau's opinion. Second, replying to the critique of Keynes by Worm-Müller, Keilhau's report to the Committee still

³⁶ Skidelsky (1983, p. 399; 1992, p. 29) makes a similar argument for the novelty of *The Economic Consequences*. In short, it put economics ahead of politics.

³⁷ See Cox (2019) on the favorable reception in Germany and hostile reaction in France to Keynes's account of the Versailles peace.

³⁸ Georg von Mayr (1841-1925) was a signatory in early October 1914 to the infamous "Manifesto of the Ninety-Three", known in English as "To the Civilized World". This document, an exceedingly strong support of all the military actions taken by Germany at the beginning of World War I, was signed by 93 prominent German scientists, authors and painters, including 13 Nobel Prize laureates. Among the other nominators of Keynes, Walther Lotz (1865-1941) held a liberal approach to economic and social issues. Influenced by the German historical school, he published a number of books on banking history and fiscal issues. Adolf Weber (1876-1963) and Otto von Zwiedineck-Südenhorst (1871-1957) were attracted by the Nazi movement in the 1930s, suggesting that they had nationalistic leanings already in the early 1920s. Adolf Weber has a track-record of an academic opportunist, serving as professor under four political regimes; under the imperial rule, the Weimar Republic, the Nazi regime and in Western Germany after World War II. Von Zwiedineck-Südenhorst turned critical of the Nazi party at the end of the 1930s and early 1940s, leaving his professorship in 1938. Rudolf Hess was one of his students.

left the impression that Keynes's account of the peace negotiations had not been completely accurate.

In addition, Worm-Müller's praise of Wilson and attack on Keynes in the Norwegian newspaper *Dagbladet* in February 1924 and the subsequent harsh exchange between him and Keilhau could also have influenced the Committee to reject Keynes. The Committee might have dreaded renewed public debate if Keynes got the prize in 1924, an extension of the bitter public discussion between two consultants of the Prize Committee – an embarrassing affair in itself.

Finally, Keilhau was an active voice in public debate in Norway in the early 1920s, criticizing the Versailles Treaty. He opposed the Ruhr occupation by France and Belgium in a series of lectures in 1923.³⁹ Perhaps, he promoted Keynes a bit too enthusiastically for the members of the Committee, making them anxious that a prize for Keynes was not a wise and neutral choice.

The Peace prize was not awarded in peacetime on more than twenty occasions in the 20th century. It was withheld in 1923 and 1924 – the two years when Keynes was nominated. It is not possible to find out why this was the case, perhaps the outcome of several reasons. One might be the sharp tension between France and Germany following the French occupation of the Ruhr area in 1923. This event probably made Keynes's candidacy still more controversial as an award to him most likely would have been regarded as support for Germany. Another reason might be differences in opinion within the Nobel Prize Committee about the qualifications of those on the shortlist. A rift could be sufficient for the Prize not being awarded.⁴⁰

To sum up, there are several likely reasons why Keynes did not get the Prize. Still, the fact that he was placed on the shortlist for the Peace Prize twice reveals the profound impact that *The Economic Consequences of the Peace* and his subsequent work on reparations exerted in the 1920s. The positive appraisals of Keynes in 1923 and 1924 for the Norwegian Nobel Committee demonstrate his wide and deep impact on public debate in the 1920s.

³⁹ Keilhau's lecture on the Ruhr occupation to the Peace Association of Norway is printed in Keilhau (1923).

⁴⁰ See Abrams (2001, p. 23).

Appendix: Keilhau, Keynes and Bretton Woods, 1943-1945

Wilhelm Keilhau (1884-1954), the appraiser of Keynes in 1923 and 1924, was trained in economics and law. His thesis in economics of 1916 that claimed to have found a computational error in Ricardo's work on rent held back his career. Eventually he managed to obtain a professorship in economics in 1934 at the University of Oslo. His academic work focused on Norwegian economic and monetary history. Several of his publications were in history. He was active in many fields, wrote novels and poems, served as a manager for a short time of the first Norwegian airline, and took a lively part in public debate, with strong views on every issue he considered. He intensely resisted the return of Norway to the gold standard at the pre-war parity. He was highly critical of the terms of Versailles Treaty and the treatment of Germany after World War I.⁴¹

Keilhau fled to Great Britain in 1940 to escape the German occupation of Norway. In London, he was an energetic spokesman for the cause of Norway, serving with the exiled government during World War II as well as a member of the three-man executive board in exile of the Bank of Norway. Keilhau turned into a strong force in the troika running the Board.⁴² In this capacity, he met Keynes as part of the preparations for the planning of post-war international monetary arrangements.

In a letter of May 5, 1943, Keynes reveals his view of Keilhau:

*I have just heard from Keilhau that he will be going in a week or two as head of the Norwegian delegation. He is a very old friend of mine, but at heart an old-fashioned laissez-faire economist, who hates planning of any kind. I shall be seeing him before he goes, but have not yet discussed Clearing Union with him. I should expect him to dislike both C.U [Clearing Union] and S.F. [Stabilisation Fund] but to dislike S.F. more. However, we shall see.*⁴³

Keilhau was appointed head of the Norwegian delegation to the Bretton Woods conference in 1944. This appointment brought him in close contact with Keynes. It started when the *Queen*

⁴¹ See Munthe (1992) for a colorful account of the life of Keilhau.

⁴² The sometimes strained relationship between the new Executive Board of the Bank of Norway in London and the Bank of Norway in Oslo, still operating in German-occupied Norway, is told by Lie (2020, pp. 161-183). The Board in London focused on the planning of the new monetary system of Norway after the war, without having any impact of its ideas.

⁴³ Moggridge (1980, p. 266).

Mary left Gourock, Scotland in June 1944 for New York with a group of economists, bankers and officials on their way to Bretton Woods. The delegates included representatives from Britain, the Netherlands, Belgium, Greece, Poland, Czechoslovakia, India, China and Norway. The British had the largest and strongest delegation: it included Keynes and his wife Lydia, Lionel Robbins, Dennis Robertson, and officials from the Bank of England and the Treasury.

On the way to New York, daily meetings took place to discuss the international arrangements in preparation for the Bretton Woods meeting. A world currency, exchange rate arrangements, lending facilities, and the establishment of a world bank for reconstruction were on the agenda. Keilhau was active as usual.⁴⁴ Wilfrid Eady from the UK Treasury approached Keilhau on the last day on board: “you are so knowledgeable that we in the British delegation would like to have you with us in Atlantic City”.⁴⁵ Keilhau was pleased by the outcome of the meetings on *Queen Mary*: “practically all the Norwegian proposals [that is, Keilhau’s proposals] put forth on *Queen Mary* were unanimously supported.”⁴⁶

After landing in New York on June 23, the delegates proceeded to Atlantic City, New Jersey, for the pre-conference to Bretton Woods. Keilhau emerged as one of the most active participants, with about 30 interventions.⁴⁷ He continued in a similar vein at the Bretton Woods conference in July. Judging from the transcripts of the conference, he took the floor more than 30 times, often with detailed comments on the wordings of the paragraphs.⁴⁸ In his diary on 12 July 1944, Lionel Robbins praises Keilhau in the following way:⁴⁹

“hardly any contribution of value has been made by any European delegate. The possible exceptions are Dr. Keilhau, Director of the Bank of Norway – a queer, Peer Gyntish figure, with an explosive voice and absurd habits of gesticulation – and the Belgians ...

⁴⁴ As reported by Berg Reinertsen (2017, p. 185).

⁴⁵ Quoted from Keilhau’s report to the exile government in London in Berg Reinertsen (2017, p. 185). Eady was referring to the preparatory conference in Atlantic City from June 15-30, 1944, held in advance of the Bretton Woods conference that took place from July 1-22.

⁴⁶ Quoted from Keilhau’s report back to London in Berg Reinertsen (2017, p. 194). Most likely, he wanted to paint a positive picture of his accomplishment, considering the tensions he created within the Norwegian government in exile, which did not approve of all his proposals.

⁴⁷ See Schuler and Canning (2019) for the minutes of meetings at the Atlantic City conference.

⁴⁸ As reported by Schuler and Rosenberg (2013).

⁴⁹ Howson and Moggridge (1990, p.181).

Keilhau argued forcefully for the liquidation of the Bank for International Settlements (BIS): The Bank had been set up as a result of “the Young Plan [for German reparations] which, as you know, belonged to the history of human failures.” Now, with the establishment of the International Monetary Fund, there was no reason to “have two international bodies dealing in the same field”. In addition, Keilhau argued for an investigation of the activities of BIS on the grounds that two of its members, Germany and Japan, were enemy nations. He suggested that the BIS was involved in the looting of German-occupied countries.⁵⁰ At Bretton Woods, Keilhau managed to get approval for the liquidation of BIS.⁵¹

Skidelsky (2000, p. 354) reports “There was a last-minute Keynes explosion over the Bank for International Settlements.” When Keynes was informed about the widespread support for Keilhau’s proposal, “it put him in a towering rage. He stormed into Morgenthau’s room, accused the Americans for double-crossing the British and said that unless the American resolution was withdrawn he would quit the conference.” (Henry Morgenthau, Jr. was the U.S. Secretary of the Treasury, head of the American delegation, and conference chairman.) Keynes got ill due to his strong reaction and apparently passed out for a short time. There was a rumor that he had suffered a heart attack.⁵²

According to Berg Reinertsen (2017, p. 185), Keilhau came close to killing Keynes through his intervention about the BIS. As it turned out, the BIS survived; after Franklin Roosevelt’s death, the administration of his successor Harry Truman quietly dropped plans for liquidating it.⁵³

⁵⁰ As reported in Schuler and Rosenberg (2013, pp. 544-546). The president of the BIS from 1940-1946 was an American, Thomas McKittrick, a controversial banker. Germany agreed to his re-election 1942 even though it was by then at war with the United States; the rationale was to keep a back channel open for exchange of views and possible postwar cooperation. After the war, the BIS cooperated with an inquiry into its transactions with Germany by the Allies’ Tripartite Commission for the Restitution of Monetary Gold and restituted 3.7 tonnes of gold to the commission, which passed it on to claimant countries.

⁵¹ Apparently, Keilhau launched the attack on BIS at his own initiative, without prior consultation with the exile government. It learnt about this controversial step from the *Times* and the *Evening Standard* as reported by Lie (2020, p. 178).

⁵² Skidelsky (2000, p. 354).

⁵³ Schuler and Rosenberg (2013, p. 559). In addition, the Norwegian government in exile did not approve of Keilhau’s proposal for liquidation. Keilhau was forced to return from the United States earlier than planned, and in the “cheapest way”, according to Berg Reinertsen (2017, p. 206). See also Lie (2020, p.179).

As an appreciation of Keilhau's contribution to the Bretton Woods conference, Morgenthau called on "the Delegate of Norway" to speak at the closing session, after Keynes. As arranged in advance, as the final session was not a working session. Here Keilhau offered "some personal remarks". He started by reflecting on "the disasters of the post-war period after 1918". In his view, they were caused by politicians promoting national interests, ignoring the economic interdependence among countries:

The result was mistakes and failures, new mistakes and new failures. ...And I feel certain that if we do not succeed in creating something new and unique, the next post-war period will bring us back to that economic chaos which we experienced in the early 1920's, and I have no doubt that it would inspire my world-famous friend Lord Keynes to a second brilliant volume of 'The Economic Consequences of the Peace'.⁵⁴

Here Keilhau echoed his positive appraisals of *The Economic Consequences of the Peace*, prepared for the Nobel Committee about twenty years earlier.

Although initially critical of the solutions suggested by Keynes and his U.S. counterpart, Harry Dexter White, in 1943, viewing them as a threat to the independence of small countries like Norway, Keilhau eventually became a stout supporter of the Bretton Woods system.

In May 1945, prior to his return to Norway in 1945, Keilhau invited Keynes to Oslo: *I take the liberty of reminding you of your promise to come to Oslo for one lecture in our Economic Society there and one lecture at the University as soon as conditions will permit.*

Keynes replied kindly, first with a long comment on the amendments by the House of Representatives to the Bretton Woods agreement, then ending his letter:

We must, I suppose, take this correspondence between us as good-bye letters, for I expect you are now off to your own country. I do indeed remember my promise to pay a visit to Oslo and hope that time, health and opportunity will make that possible in due season.

Ever sincerely yours, K.

The death of Keynes in April 1946 prevented a visit. After the war, Keilhau resumed as professor at the University of Oslo, again taking a lively part in public debate. He was highly

⁵⁴ See U.S. Department of State (1948, pp. 1121-1122). See also Munthe (1992, p. 156).

critical of the planned economy, staunchly defending a liberal view of economics, politics and society.

Table 1. Nobel Peace Prize Laureates, 1919-1929

Year	Laurate	Motivation
1919	Woodrow Wilson	... for his crucial role in establishing the League of Nations
1920	Léon Bourgeois	... for his work towards what became the League
1921	Hjalmar Branting Christian Lange	... for his work in the League of Nations (Branting) ... for his work as the first secretary of the Norwegian Nobel Committee and for ... the Inter-Parliamentary Union (Lange)
1922	Fridtjof Nansen	... for his work ... in Russia struggling against famine ... and for refugees in Asia Minor and Thrace
1923	No prize awarded	
1924	No prize awarded	
1925	No prize awarded	
1926 (1925 prize)	Austen Chamberlain Charles Dawes	... for work on the Locarno Treaties (Chamberlain) ... for work on the Dawes plan ... underpinning the Locarno Pact of 1925 (Dawes)
1926	Aristide Briand Gustav Stresemann	... for work on the Locarno Treaties
1927	Ferdinand Buisson Ludvig Quidde	... for contributions to Franco-German popular reconciliation
1928	No prize awarded	
1929	Frank B. Kellog	... for the Kellogg-Briand pact

Source: Condensed from Lundestad (2019, p. 201)

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