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W. H. Hutt’s Constitutional Political Economy Complements the 2024 and 2025 Nobel Prizes: A Note*

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Abstract

In 2024 and 2025, the Nobel Prizes in Economic Sciences went to scholars who explored the relationship between institutions and economic progress (2024) and the importance of technological change and creative destruction (2025). This note argues that W. H. Hutt’s constitutional political economy is a conceptual bridge between these two research agendas. Drawing on Hutt’s analysis, it explores how extractive institutions persist despite their effects on economic progress.

Keywords: W. H. Hutt, Nobel Prize, credible commitment, institutions, property rights, consumers’ sovereignty, limited-access orders, open-access orders

I. Introduction: A Tale of Two Nobel Prizes

The last two Nobel Prizes address complementary problems at the root of economic progress. Daron Acemoglu (2025), Simon Johnson (2025), and James Robinson (2025) shared the 2024 prize “for studies of how institutions are formed and affect prosperity.” In 2025, Joel Mokyr won half the prize “for having identified the prerequisites for sustained growth through technological progress” and shared it with Philippe

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Aghion (2025) and Peter Howitt (2025), who were commended “for having identified the prerequisites for sustained growth through technological progress.” This note explores how the work of the Nobel-worthy economist W. H. Hutt helps connect the inclusive institutions Acemoglu, Johnson, and Robinson emphasize and the technological change and creative destruction Mokyr, Aghion, and Howitt emphasize in the context of a racially stratified society.¹

As Mokyr, Aghion, and Howitt explain, economic progress happens because of *creative destruction*, the term Joseph Schumpeter (1942) introduced to describe how innovation displaces incumbent firms and workers. Productivity rises, and there are net economic gains, but displacement and dislocation cause economic turbulence. If incumbent firms and workers are politically powerful, then they may be able to block changes that attenuate their ability to enjoy and extract economic rents. These might include technological and financial innovations, as well as political and institutional innovations.

In his studies of European economies in the middle of the twentieth century and his commentary on African economies in the postcolonial period, Hutt identified transitional safeguards that he thought could appease the potentially displaced and convince them to accede to inclusive rather than extractive institutions (Hutt 1943; Magness, Carden, and Murtazashvili 2022; Carden, Magness, and Murtazashvili forthcoming). He stressed what William Easterly (2020, 2025) would later call “progress by consent” and was, like Adam Smith before him, a development economist. Furthermore, his perspective helps explain why resistance to creative destruction is part of extractive institutions’ internal logic.

II. Winners and Losers in Limited- and Open-Access Orders

Under apartheid, special interests in South Africa were able to resist *creative* experimentation with racially integrated organizational forms and social practices because they would lead to the *destruction* of a racial hierarchy that preserved economic rents for its beneficiaries. These included organized white workers who were able to exclude Black competitors (Hutt 1964; Magness, Carden, and Murtazashvili 2025; Carden and Murtazashvili 2025). In Hutt’s eyes, apartheid was

¹ While Hutt never won a Nobel Prize, he was in the running (*Irving Daily News* 1988). Biographical information and a survey of Hutt’s work can be found in Ebeling (2025). See also Carden (2021) and Carden and Murtazashvili (2024). Other recent treatments of Hutt’s relevance include Lewin (2025), Boudreaux (2025), Coyne and Hall (2025), and Newman (2025).

not due to an anomalous culture. It was a predictable response to competitive pressure (Hutt 1964; Roback 1988; Roback 1989). Rather than adjusting to competitive pressure through markets, white workers resorted to the strike-threat system and direct appeals to the South African government to cripple Black competitors with job-reservation requirements, licensing restrictions, and rate-for-the-job laws (Hutt 1964, 1973; Carden and Murtazashvili 2025). In South Africa, relatively poor white workers were able to overcome mine owners' concentrated interests because the strike threat gave them political leverage (Lewin 2000).

The South African government transformed potential market competition into market exclusion. Apartheid South Africa was a *limited-access order*, a term Douglass C. North, John Joseph Wallis, and Barry R. Weingast (2009) introduced to describe a society where elites maintain stability by limiting access to political and economic organizations and controlling access to the resulting economic rents. By contrast, in an *open-access order*, economic rents accrue to successful innovators who find ways to introduce new goods, lower costs, or devise efficiency-enhancing organizational forms. Apartheid rules locked labor and capital in inefficient patterns.

Hutt's analysis connects directly to the themes of the 2024 and 2025 Nobel Prizes. Organized and vocal resistance to creative destruction is a predictable response among incumbents whose income or social status is threatened. The accumulated dross of racial exclusion creates fertile soil in which extractive institutions can grow.

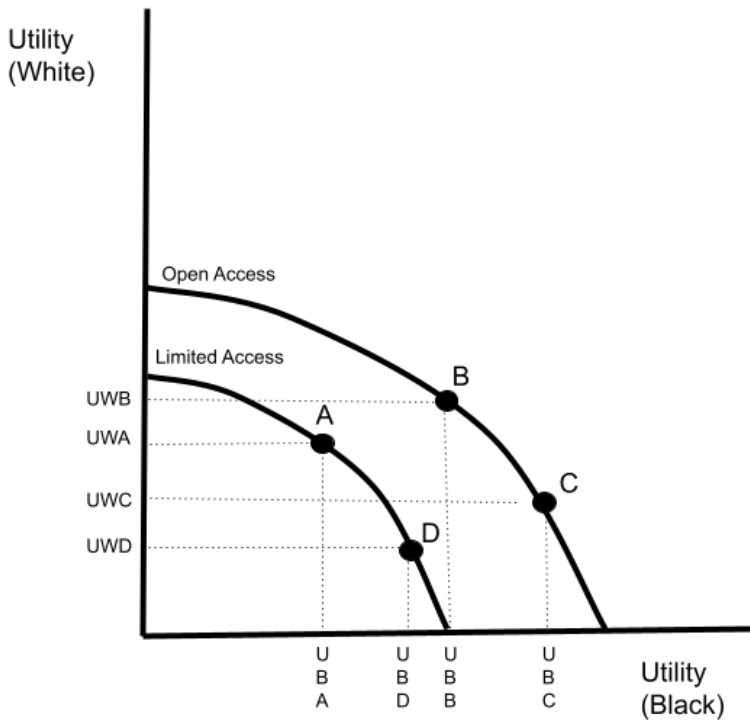
III. The Constitutional Political Economy of Extraction in Racially Stratified Societies²

Hutt explained that discrimination is not simply a matter of taste and preference. It is a constitutional problem (Roback 1989). In contrast to Becker's influential treatment of discrimination, which took discriminatory preferences for granted, Hutt explored how institutionalized discrimination emerged in the form of regulations emerging from political competition (Becker 1995; Roback 1988, 1989; Lewin 2000; Magness, Carden, and Murtazashvili 2025). In *The Economics of the Colour Bar*, Hutt treated labor market regulation as a way for politically powerful whites to extract rents by suppressing Black competition.

² For a discussion of stratification economics, see Darity (2022).

Elites resist productivity-enhancing reforms because they fear a loss of political power and potential future retaliation. Figure 1 adapts Figure 7, depicting the Utility-Technology Possibility Frontier discussed in Acemoglu’s Nobel lecture, and brings it into conversation with North, Wallis, and Weingast’s (2009) analysis of limited-access and open-access orders (Acemoglu 2025, 1721; North, Wallis, and Weingast 2009; Cox, North, and Weingast 2019).

Figure 1. Utility-Technology Possibility Frontier for A Racially Stratified Society



A racially stratified society begins at point A. A proposed institutional change will move the society to point B, at which whites will have higher utility but greater political vulnerability. If the change in political power gives the Black majority enough redistributive power to move from point B to point C, whites will resist unless Blacks can credibly commit to leaving whites at least as well off as they were at point A. Demagogues do not oppose limited-access institutions per se and, in fact, embrace them when they are in power. The struggle over access to rents in the transition to point B, and perhaps to point C subsequently, could lead to the establishment of

new limited-access institutions, albeit with racial roles reversed, and the society could settle at point D.

Whether such a political power inversion is morally or philosophically defensible is immaterial. Hutt argued that the politically powerful are unlikely to share that power with the majority if it means the possibility of “spoliation and revenge” (Hutt 1965, 791). Something has to happen if institutional change is going to endure.

IV. The Constitution of Creative Destruction

Hutt’s work complements the last two Nobel Prizes by explaining a positive micropolitical mechanism through which politically powerful groups in racially stratified societies (a) block inclusive institutions that would promote creative destruction and (b) transform resistance to creative destruction into durable extractive institutions under a limited-access order. Creative destruction leads to widely shared prosperity, but the politically powerful resist even potentially Pareto-improving reforms when ceding power would leave them vulnerable to retaliation.

Hutt identified the constitutional mechanisms that underpin that resistance, as well as the constitutional solutions that could mitigate it. He emphasized that elites oppose inclusive, open-access institutions not only because they might lose access to economic rents but also because the resulting (relative) lack of political power could leave them vulnerable to discrimination, expropriation, and retaliation. In the eyes of those at the top of a racial hierarchy, the economic stagnation—or low growth—that comes with limited-access institutions and poorly constrained minority rule may be an acceptable price to pay for security against unconstrained majority rule.

Consumers’ sovereignty and the institutions that protect it are unifying themes in Hutt’s work (Magness, Carden, and Murtazashvili 2025; Boudreaux 2025). Production is not its own end; rather, as Adam Smith ([1776] 1904, 266–67) explained, consumption is the end of production. Prices emerging from voluntary exchange show entrepreneurs and managers what to produce; political interventions overriding consumers’ sovereignty not only redistribute income but also disrupt the feedback mechanisms that production in a complex economy requires (Boudreaux 2025).

Hutt’s work points to a constitutional (rather than technocratic) bridge between the 2024 and 2025 prize-winning work. Resistance to growth-promoting institutional change (from point A to point B)

might simply be a problem to be ameliorated through a compensatory scheme, but Hutt proposed a constitutional remedy. Discretionary, unconstrained political power could make short work of promises of moderation and compensation. Therefore, incumbent elites, anticipating that they will be on the receiving end of future extractions, block creative destruction. Extractive equilibria come from failure to constitutionally commit.

There may be ways to make creative destruction politically sustainable through competition policy and expanded welfare states, but Hutt was skeptical of such approaches. An unshackled Leviathan invites rent-seeking and allows organized interests to convert adjustment costs into permanent entry barriers.

Creative destruction persists where political institutions prevent groups from enlisting the state to block competitors. Throughout his career, Hutt endorsed a color-blind legal system, “iron clad” commitments to property rights, and limits on economic intervention (Hutt 1965; Magness, Carden, and Murtazashvili 2022). He also proposed what he called “the Tocqueville principle”: “Changing experience in the working of representative democracy has been largely conditioned by the failure to entrench (by constitution or powerful convention) what may be called ‘the Tocqueville principle’, namely, that majorities should have no right to enrich themselves at the expense of minorities via the voting mechanism” (Hutt 1971, 32).

Later, he would justify restricting the franchise with an appeal to John Stuart Mill’s proposal that people receiving relief payments should not be allowed to vote (Hutt 1971, 32). Mill’s proposal requires careful identification of the beneficiaries of government largesse, who are not always obvious. The US government, for example, does a lot of redistribution implicitly through special privileges in the tax code (like the mortgage interest tax deduction) rather than obvious transfer payments. While some cases might be difficult to identify, the principle remains that ironclad constitutional provisions protecting the taxed from the taxers would, in Hutt’s view, make creative-destruction-enabling constitutional changes more stable.

V. Conclusion

Creative destruction requires credible political commitments that prevent interest groups from vetoing moves to open-access institutions. W. H. Hutt’s work contributes to the constitutional bridge between inclusive institutions and creative destruction by explaining how extraction remains stable despite its inefficiency. Without this

kind of credible commitment, political elites fearing “spoliation and revenge” by newly enfranchised minorities will resist moves in that direction (Hutt 1965).

Hutt saw extractive, exclusive, limited-access institutions up close during his career in South Africa. His work clarifies how barriers to entry emerge, persist, and generate the kinds of problems Acemoglu, Johnson, and Robinson identified. Finally, his work makes a constitutional connection between their work and the technological change and creative destruction for which Mokyr, Aghion, and Howitt were recently honored with the Nobel Prize.

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