

13 October 2025

The Prize in Economic Sciences 2025

The Royal Swedish Academy of Sciences has decided to award the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2025 to Joel Mokyr, Philippe Aghion and Peter Howitt

"for having explained innovation-driven economic growth"

with one half to

Joel Mokyr

Northwestern University, Evanston, IL, USA
Eitan Berglas School of Economics, Tel Aviv University, Israel

and the other half jointly to

Philippe Aghion

Collège de France and INSEAD,
Paris, France, The London School of
Economics and Political Science, UK

Peter Howitt

Brown University,
Providence, RI, USA

*"for having identified the prerequisites for
sustained growth through technological progress"*

*"for the theory of sustained growth through
creative destruction"*



Half the Prize goes to the Aghion & Howitt Growth Model

This 1992 model is widely taught and frequently cited within the Economics community. Its central theoretical tenet, that expectation of future innovation dampens incentives to innovate today, has shaped how academic economists think about technological progress. Innovation experts think differently.

The 'Model of Growth through Creative Destruction' asserts that (a) the amount of research in any period depends upon the expected amount of research next period and the dependence is such that (b) next period's research discourages this period's. Business experience repeatedly shows the opposite.

Du Pont. In (1988) and in *Science and Corporate Strategy Du Pont R&D, 1902-1980*, David A Hounshell and John Kenly Smith Jr. recount how Du Pont looked closely at polyester as a future candidate for tire-cord from the perspective of nylon. What transpired from their short foray into polyester tire-cord development was a focus back on improving nylon. The incumbent effort wasn't suppressed it was stimulated.

I.G.Farben. This fiber producer was not discouraged by Du Pont's patented two-component nylon synthesis. It rapidly developed and patented its own single - component one. Today it leads in the global market by about 25%.

Allied Chemical. In (1986) and in his aptly titled book *Innovation*, McKinsey's Richard N. Foster describes innovation in the chemical feedstock used for many healthcare, electronics and consumer products. Its producer Allied boosted its research staff by 14% knowing new technology from BASF was literally in the pipeline.

This prize works within the economic thinking supporting it. Outside it's not so clear. That's because Foster went further to explain these escalations using what he termed the 'Attacker's Advantage', in which the measured performance of the attacker exceeds the defender's. Crucially the attacker also executes at a higher productivity than the defender and it's from this combination that growth advances.

Economics neither quantifies this 'Attacker's Advantage' nor the defender's response.

The reason is systemic. Peter F. Drucker puts it this way in his 1985 business classic *Innovation and Entrepreneurship*. *'Every economics book points out that customers buy what a product does for them. And then, every economics book promptly drops consideration of everything except the price. What the product does for the customer is never mentioned again'*. For economists, it's the impossible 'quality change problem'. Impossible? Innovation professionals solve the 'Attacker's Advantage' in consequence of simultaneously solving the 'quality change problem'. Economics has **not** done so.

This changes where innovation-driven economic growth is actually explained. Five advances in [1986](#) [1993](#) [1997](#) [2008](#) and [2018](#) are vital. In its sequence there is one missing piece that rises above all others; a rigorous solution to the 'quality change problem'. Armed with this capability, it's corporate, not campus, that puts the numeric explanation of economic growth into the public domain - from 2018.