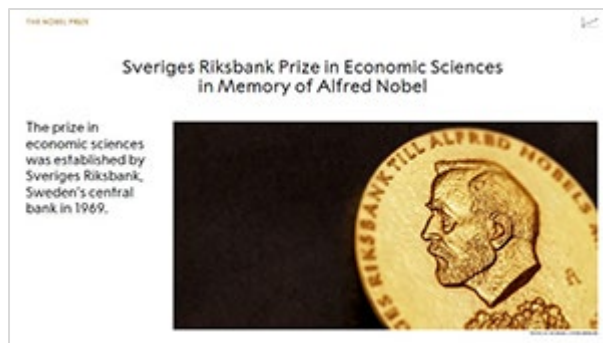


# THE NOBEL PRIZE

## Speaker's manuscript – Economic sciences prize 2025 From stagnation to steady growth

### Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel

- The Nobel Prize was created by Alfred Nobel. He became very rich due to his invention of dynamite. Before his death in 1896, he wrote in his will that most of his wealth should be used as a prize to “those who, during the preceding year, shall have conferred the greatest benefit to humankind”.
- According to the will, this prize is to be awarded in five categories: physics, chemistry, physiology or medicine, literature and peace.
- In other words, Alfred Nobel did not choose economics as one of the prize categories. Instead, the Sveriges Riksbank (the Swedish central bank) in 1968 established a prize in economics in memory of Alfred Nobel in connection with its 300th anniversary.
- The economic sciences prize is awarded to the individual or individuals having produced work of outstanding importance in the field of economic sciences. The laureates have analysed various socio-economic problems and found ways of solving or understanding them.



### The 2025 economic sciences prize – From stagnation to steady growth

- The 2025 economic sciences prize is about how technological innovation and knowledge lead to sustained growth.
- In the last 200 years, we have, for the first time in world history, seen steady economic growth. The laureates in various ways explain how this development was possible and what is needed for continued growth.
- We will soon take a closer look at the laureates' research. First, however, you will have to think on your own for a moment. What is growth?



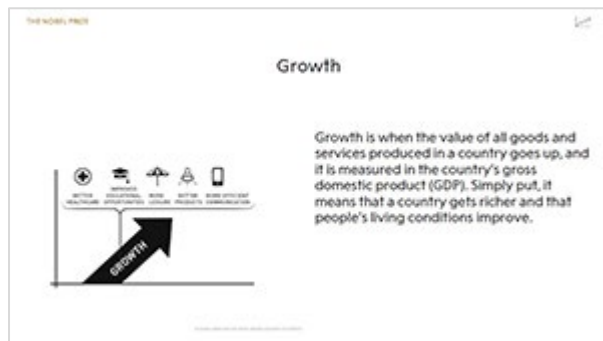
## What is growth?

- Let the students discuss together for a moment: What is growth?
- They may also discuss whether growth is always good.



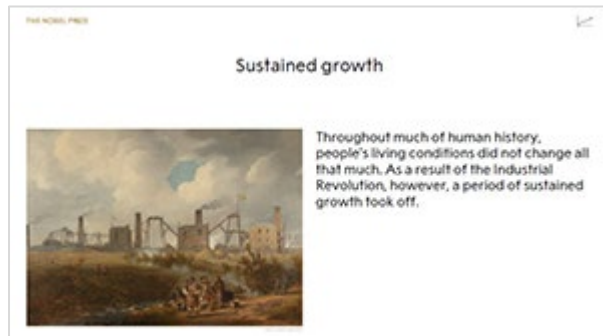
## Growth

- Growth is when the value of all goods and services produced in a country goes up, and it is measured in the country's gross domestic product (GDP). Simply put, it means that a country gets richer and that people's living conditions improve.
- At the same time, it is about much more than money. The image shows some of the things that make up growth, such as better healthcare, more leisure and better products.



## Sustained growth

- A number of technological innovations were made before the Industrial Revolution, such as the heavy plough, windmill and printing press.
- Even though these sometimes led to improved living conditions, growth would always eventually cease. People's living conditions did not change all that much, and the new discoveries did not lead to any long-term economic growth.
- Rather than growth, stagnation (a state of stagnant or very slow growth) was the normal condition.
- This changed with the Industrial Revolution. Since the beginning of the 19th century, many of the industrialised countries in the world have experienced a sustained growth of just under two percent. During a person's working life, this means a doubling of his or her income. This has had a revolutionary effect on people's living conditions.



## What causes sustained economic growth?

- The 2025 economic sciences laureates have used different methods to answer the question of what causes sustained economic growth.
- Joel Mokyr has in his research shown that there must be a flow of useful knowledge. He separates this useful knowledge into two parts: propositional knowledge, showing why something works, and prescriptive knowledge, describing what is needed for something to work.
- Before the Industrial Revolution, people often knew what was needed for something to work but rarely why. This made it difficult to build upon existing knowledge.
- During the Scientific Revolution in the 16th and 17th centuries, scientists began using careful measurement methods and controlled experiments where the results could be reproduced. They started to understand both how something worked and why it actually worked.
- This, in turn, created the foundation for sustained growth. Not only was it easier to improve inventions but also to develop and build upon existing knowledge.



## Creative destruction leads to growth

- Even though many countries in the industrialised world have experienced steady growth, changes occur beneath the surface. Some companies go under while new ones are started.
- Philippe Aghion and Peter Howitt have shown that this transformative process – called creative destruction – is key to sustained growth.
- Creative destruction means that when a new and better product is introduced in the market, the companies selling older products become the losers. This process is creative as it is based on new innovations, while at the same time being destructive as older innovations become obsolete and lose their commercial value.
- Aghion and Howitt have created a mathematical model of creative destruction showing how technological development can lead to sustained growth.



## The 2025 economic sciences laureates

- One half of the prize goes to the economist Joel Mokyr. He used historical sources to show what turned sustained growth into the new normal in the industrialised world from the 19th century onwards.
- The second half of the prize goes to the economists Philippe Aghion and Peter Howitt. In a joint article from 1992, they presented their mathematical model on how sustained growth is created through creative destruction.
- In an interview in connection with the prize being announced, John Hassler, chair of the committee that selects the economic sciences laureates, explained that we cannot take growth for granted. If we do, there is a risk that we will fall back into stagnation.



## The greatest benefit to humankind

- The research carried out by the economic sciences laureates has shown what is needed to create sustained economic growth.
- Their work also indicates that new innovations create both winners and losers. For society, it is thus important to support the people who are affected and to make it easier for them to move to more productive workplaces.
- Now, let us watch a short video that tells us a little bit more about the work carried out by the laureates and why they confer the greatest benefit to humankind.

