Public Choice (2025) 202:597–610
https://doi.org/10.1007/s11127-025-01267-4

Consumers' sovereignty and W. H. Hutt's critique of the color bar

Phillip W. Magness[1] · **Art Carden**[2] · **Ilia Murtazashvili**[3]

Received: 22 January 2025 / Accepted: 31 January 2025 / Published online: 28 April 2025

Abstract
Humanomics recovers economics as a moral science involving morally and emotionally complex human beings. Tragically, people create and defend institutions that suppress economic and social opportunities forcibly based on arbitrary characteristics like race and nationality. W.H. Hutt contributed to humanomics by studying the origins and consequences of racist institutions, particularly the labor market regulations comprising South Africa's color bar. White South Africans limited job opportunities for Black workers and these limitations became the basis for Apartheid in the second half of the twentieth century. Hutt did not shy away from analyzing the causes and consequences of people's biases; rather, he sought to understand them and argued that consumers' sovereignty was the cure. Furthermore, Hutt's political economy recognized how economists needed to account for human sentiments—especially anger about past injustice—in considering how to design political rules in transitions toward a more open and equitable society. In short, Hutt recognized that people are moral and immoral and prone to biases based on social identity, and he used those insights to articulate a principled defense of markets. As such, Hutt was both a defender of individual choice and an economist who saw "economic agents" as human beings, flaws and all.

Keywords Humanomics · W.H. Hutt · Apartheid · Consumer sovereignty · South Africa

JEL Classification J15 · B31 · N45

✉ Phillip W. Magness
pmagness@independent.org

Art Carden
wcarden@samford.edu

Ilia Murtazashvili
ilia.murtazashvil@pitt.edu

[1] Independent Institute, Oakland, CA, USA

[2] Brock School of Business, Samford University, Homewood, AL, USA

[3] Graduate School of Public and International Affairs, University of Pittsburgh, Pittsburgh, PA 15260, USA

1 Introduction

> The fact of inequality of opportunity proves that competition is frustrated.
> - W.H. Hutt (1936: 321)

In his 1936 book *Economists and the Public*, the economist W.H. Hutt popularized the term "consumers' sovereignty." In his 1964 book *The Economics of the Colour Bar,* he published a devastating critique of South African Apartheid and the racist and segregationist policies predating Apartheid's formal establishment in 1948 (Hutt 1936; 1964). Hutt's analysis contributes to Adam Smith's incomplete project, which sought a unified theory of moral sentiments, prosperity, and jurisprudence and which is the basis of Barry R. Weingast's (2023: 150, 152) argument that "the traditional neoclassical approach to development sits on a foundation of magic" because it presumes the existence of "secure property rights, enforcement of contracts, absence of government predation, and security." Vernon L. Smith and Bart Wilson (2019) describe Smith's project using the term "humanomics." In a book taking up the humanomics mantle, Deirdre McCloskey (2021: viii) argues that "(t)he ethics of liberalism, born in the eighteenth century, is part of humanomics." These ethical foundations of liberalism are central to W.H. Hutt's appraisal of existing institutions, and his criticism of the South African color bar emerges from his understanding of consumers' sovereignty (High 1988: 59).

Hutt had not aspired to be an academic originally, but an advertisement in the *Times* of London for the position of Lecturer in Commerce at South Africa's University of Cape Town piqued his interest; among other things, he was intrigued by the opportunity to work with Arnold Plant. While he enjoyed and found meaning in his work at the Individualist Bookshop, he wrote to Edwin Cannan, "It often strikes me that I should be more useful as the critic rather than the paid servant of those who are financing the movement" (Hutt 1927).

Hutt spent 1928–1965 at the University of Cape Town. South Africa was governed first by "color bar" acts like the Mines & Works Acts of 1911 and 1926 and then later by a formal policy of *Apartheid*. That term first appeared in the newspaper *Die Burger* on March 26, 1943, and became the law of the land with the National Party's election in 1948 (Williams 1989: 8). Apartheid South Africa was one of the twentieth-century Western world's most conspicuously antiliberal regimes. As an individualist, Hutt disapproved of color bars on moral grounds and saw "color prejudice as the worst social evil of the contemporary era" (Hutt 1968: 12). As an economist, he developed a critique of racist institutions that built on his notion of consumers' sovereignty.

Although he labored far from the intellectual centers of Europe and the Americas, he earned a reputation as a "courageous and independent maverick" fiercely committed to interpreting the world and its institutions not regarding particular resource allocations but by considering the possibility of gains from trade (Egger 1994: 107; Buchanan 1988). When asked, "What should economists do?" James M. Buchanan argued that they should pay particular attention to exchange and the institutions that make it possible (Buchanan 1964). Hutt did just that: his gains-from-trade approach to the social sciences and his soft spot for the downtrodden informed his critique of Apartheid, which eventually led the South African government to withdraw his passport (McDowell 1965; Reynolds 1997). He was no anarchist—he thought that governments should vigorously prosecute collusion. He thought the government had a role in banning resale price

maintenance contracts because he saw them as illicit interference with the sovereign consumers' wills (Yamey 1988: 29). He was, however, a liberal individualist in the classical, Smithian sense.

Hutt visited North America in 1962 and lectured on "The Economic Origins of Apartheid" at the University of Virginia, Columbia University, Victoria College (the future University of Victoria), Wabash College, and other institutions (Charlottesville Daily Progress 1962; *Village* Voice 1962; *Victoria* Times 1962; The Wabash Bachelor 1962). After retiring from the University of Cape Town, Hutt returned to the United States for good, spending 2 years visiting the University of Virginia's Thomas Jefferson Center for the Study of Political Economy and traveling widely to speak on the economics of racial oppression. He spent the 1970s and 1980s at the University of Dallas, where 1986 Nobel Laureate James M. Buchanan would give the inaugural Hutt Memorial Lecture on Economic Policy in 1989 (Gilcreast 1989a,b, c). Hutt's contributions were so numerous and important that they inspired a mini-*festschrift* (Reynolds 1986) along with symposia in *Managerial and Decision Economics* in 1988, the *Journal of Labor Research* in 1997, and the *Review of Austrian Economics* (forthcoming). He has received recent attention from historians and economists studying the trajectory of twentieth-century neoliberalism (Desmarais-Tremblay 2020; Innset 2020; Olsen 2019; Slobodian 2018).

We explore three themes in Hutt's work relevant to humanomics: consumers' sovereignty (in *Economists and the Public*), intervention and oppression (in *The Economics of the Colour Bar*), and institutional change (in both of those volumes as well as in *Plan for Reconstruction*) (Hutt 1936; 1964; 1943). The themes come together in Hutt's economic condemnation of the color bar, suggesting that he has much to contribute to humanomics.

2 The humanomics of consumers' sovereignty: prices and discovery

Humanomics, McCloskey (2022: 10) argues, is a moral science of entrepreneurial discovery. It combines the economists' hard-headed logic and quantitative sophistication with the obligation to "listen, really listen" to other disciplines and the very human rhetoric and ethical discussion happening among the people we observe (ibid.: 3, 32, 121, 133, 138, 144). The humanomics emphasis on listening requires us to think about exchange as a conversation and "an economy," not as a system we design but as an ongoing conversation wherein the key is understanding what people are saying and how.

Adam Smith states in his *Lectures on Jurisprudence*, one of the texts on which McCloskey relies:

> If we should enquire into the principle in the human mind on which this disposition of trucking is founded, it is clearly the natural inclination every one has to persuade. *The offering of a shilling, which to us appears to have so plain and simple a meaning, is in reality offering an argument to persuade one to do so and so as it is for his interest.* (A. Smith 17XX/1982: 352, emphasis ours)[1]

Here and elsewhere, Smith's argument that people appeal to the interests of the butcher, the baker, and the brewer to get their dinner makes an important ethical assumption:

[1] Smith is referring to the "propensity to truck, barter, and exchange.".

another person has the right to say *no*, and he has an interest worth respecting (Smith 1776: Bk 1: 26–27).

In Smith's understanding of the marketplace, prices provide basic information about consumers' consensus. Entrepreneurs undertake ventures on the conviction that they can pursue unexplored possibilities advantageously, given the structure of prices and production at a particular time. As Smith and Wilson (2019: 15) explain, "Price information allows individuals to make comparisons between what is and what might be." Profits and losses authenticate discoveries, with profits telling someone he has chosen wisely and losses telling him he has chosen poorly and is wasting resources.

Effective discovery requires maximal consumers' sovereignty: people must be free to converse with strangers by offering competing bids and asks. The resulting prices reflect a broad social consensus. Hutt's emphasis on the *social* consensus emerging from voluntary exchange is why we opt to follow his lead and use the plural possessive "consumers' sovereignty" rather than the more common "consumer sovereignty" (e.g., Hutt 1936: 23, 261, 262, 298ff).

For Hutt, questions about institutions and policies always concerned barriers to consumers' sovereignty, and his welfare economics asked a simple question: what institutional barriers usurp consumers' sovereignty and obstruct the search for gains from trade? Consumers' sovereignty becomes his criterion when observers (like economists) cannot tell how much of something is the "right" amount. As he writes:

> …under our assumption of the absence of absolute standards, it seems there is only one *conceivable* criterion of the desirability of values for which we can expect general acceptance, namely, that the forces determining them have been social, not private. It is for this simple reason that *liberty* (which we regard as practically synonymous with *tolerance*) must be regarded as a higher over-ruling principle. (Hutt 1936: 282).

Prohibitions and restrictions foreclose entire fields of commercial exploration. Consumers' sovereignty is significant because it is based on persuasion as Adam Smith understood it. In their role as producers, people get what they want by satisfying others as consumers.

Throughout his work, Hutt emphasizes the importance of freely adjusting prices because they are signals that allocate resources to where they are most wanted. Output is restricted in the short and long run when governments prevent prices—wages in particular—from changing. Hutt was especially critical of labor unions and laid much of his blame for short-run and long-run economic problems at their feet. The strike-threat system, Hutt argued, was the private use of coercion that replaces consumers' considered but perhaps unarticulated judgments with the articulated verdicts of moral and economic surrogates—namely, labor union leaders and politicians.[2]

Color bars meant more than just distributional and social injustices: they impeded discovery. Different kinds of discovery operate in the two worlds humanomics inhabits. Color bars prevented entrepreneurial discovery in the thin, market-mediated world of strangers. They also prevented discovery in the thick, relationship-mediated world of friends and families. Laws against miscegenation, for example, prevented the acceptance and development of multiracial families in South Africa, the United States, and wherever

[2] On individual versus surrogate decision-making, see Sowell (1987).

else they have been enacted. In South Africa, Boer religious convictions informed the statutes. In the first Progressive Era at the turn of the Twentieth Century, they relied on racist pseudo-scientific eugenics (Leonard 2016). Color bars prevented people from experimenting in the marketplace, the home, and the neighborhood, thereby obstructing the social learning these experiments could have produced.

Hutt also recognized the stakes involved in interfering with discovery processes in South Africa. The thin markets linking strangers are not only critical to discovery when left to their own devices. Politicians with the power to offer policies for votes made it easier for people to indulge biases and perpetuated inequality and racial domination. The South African government mandated commercial segregation by proscribing some commercial relationships and prescribing others. That policy prevented mundane commercial interactions that could have led to faster recognition of others' humanity and speeded social integration.

3 The state against consumers' sovereignty: South Africa's color bar

"Social restraints," Hutt wrote, "also must be impartial and impersonal in order to be acceptable" (Hutt 1936: 254). The color bar, like all racist institutions, was neither impartial nor impersonal and, hence, unacceptable. Policies like the color bar that override someone's right to say "no" and do business with whoever offers the best deal (however they choose to define it) create economic and social discoordination. In the marketplace, coordination happens in response to people's decisions about what to buy and sell. Coordination makes the most effective use of dispersed knowledge when consumers (plural) have maximum "sovereignty" as expressed in their unimpeded buying habits. Hutt (1936: 257) argued that "(t)he social will may be most truly realized when the greatest measure of sovereignty is vested in consumers." He defined consumers' sovereignty as: "The consumer is sovereign when, in his role of citizen, he has not delegated to political institutions for authoritarian use the power which he can exercise socially through his power to demand (or to refrain from demanding)" (Hutt 1936: 257). Consumers' sovereignty is necessary for any society that wants harmonious coordination, making maximal use of dispersed, tacit, and unarticulated knowledge, as Hayek (1945) identified and explained.

3.1 Consumer sovereignty and the social will

To interfere with consumers' sovereignty, therefore, is to interfere with the social will—which we take not to be a metaphysical "will" in the sense of Jean-Jacques Rousseau's "general will" but a pattern of specialization and a structure of production emerging from a social consensus based on voluntary choices and individual appraisals.[3] As Desmarais-Tremblay 2020: 2) states, "For Hutt, absolute consumer sovereignty was an ideal, a norm against which economists could assess different economic systems." It was the standard by which Hutt evaluated public policies and social institutions.

Consumers tend not to care who makes the goods and services they enjoy if they think they are getting good value for the price. To an economist like Hutt, that is a feature of

[3] On "structures of production," see Roger Garrison's *Time and Money: The Macroeconomics of Capital Structure* (Garrison 2001, pp. 34ff, 45ff).

unfettered markets; to a special interest, it is a bug. Since people were insufficiently willing to discriminate against Indigenous Africans, the reasoning went, the Color Bar Acts were necessary. Rules making it hard for firms to hire low-skill indigenous labor foreclosed experimentation with different combinations of land, labor, and capital that could have led to the discovery of new goods and services, new production techniques, and previously unknown reserves of human capital among "low-skilled" workers possessing knowledge that was statutorily off-limits.

As Peter Lewin (2000: 257) notes, Hutt considered discrimination an instrument of regulation generated by successful rent-seeking. Paraphrasing Gordon Tullock's (1975) language, the rents from Apartheid were transferred from Black workers to white workers at the expense of Black workers and white industrialists. Transitional gains accrued to white laborers, but they dissipated as their labor unions lobbied to secure them. It was an example of what Randall Holcombe (2018) calls "political capitalism," a system in which economic and political interests cooperate for mutual benefit but at society's expense.

3.2 Regulation short-circuiting coordination under the color bar

Hutt's appreciation for consumers' sovereignty and emphasis on it as his preferred normative criterion naturally led him to condemn the color bar. Apartheid suffered from the same calculational and constitutional flaws that doomed central planning efforts (Lewin 2000: 257). Centralized decision-making means discarding valuable knowledge that only market participants—not outside observers—possess. Non-whites' rights suffered from a lack of constitutional protection, and the Afrikaners earned political rewards for imposing Apartheid when in a free market, they would have been punished by sovereign consumers who were not willing to pay extra to discriminate (ibid.: 261; see also Roback 1988). Discrimination might not be something people were willing to pay for directly; still, they were willing to use it as a regulatory instrument when it is easy to do so politically (ibid.: 257). Thinking of discrimination as an instrument of regulation is broadly consistent with the "capture" theory most frequently associated with George Stigler (1971) and Sam Peltzman (1976).

Hutt and others were not alone in their economic condemnations of Apartheid. In a passage headed "Apartheid as an attack competition," Ronald Coase (1986: 84) quotes Sir Arnold Plant, who was Hutt's contemporary and colleague at the University of Cape Town at the beginning of Hutt's academic career:

> …the refuge which some degenerate white people are prone to seek in the colour of their skin as a basis for privileged treatment is but one particular phase of the universal habit among the lazy or inefficient of seizing hold of an entirely irrelevant characteristic of their competitors and endeavouring to persuade the general public that it constitutes a sufficient ground for legislation differentiating against that particular class as a whole....

Plant explained a principle appearing in Hutt's work and later explored by Jennifer Roback (1988, 1989) and Magness et al. (2023). Common social heritages make it easier for racial groups to organize as rent-seeking coalitions. Roback makes this point explicitly in her discussion of racism as rent-seeking in a study of Hutt and Apartheid that complements and enriches our understanding of the economics of discrimination as explained by Gary Becker (1971). She explains:

> Ethic groups have certain advantages as rent-seeking coalitions. They are already organized for cultural and religious purposes and it is often inexpensive for them to become so for political ones.… Rather than racism being the cause of economic injustice, the possibility of economic injustice is the cause of racism. (Roback 1988: 67)

In a book chapter that appeared 2 years before *Economists and the Public*, Hutt (1934: 197) is careful to note that racial distinctions are morally arbitrary but economically and politically important:

> Factors of race are economically important for two reasons. Firstly, they define groups possessing social heritages of very different types; and secondly, they provide grounds for the rationalization of discriminatory policies. To understand the significance of natives in the Union's economy we must approach the question from the angle suggested by the words' competing labour groups'. In spite of the arbitrariness of mere racial distinctions, their existence in clearly defining classes of people with some broad homogeneity of economic function and status makes South Africa possibly the best place in the world for the study of the universal struggle against the equalitarian force of competitive capitalism.

Hutt (1964: 36) recognized Apartheid as a usurpation of consumers' sovereignty and, therefore, as a barrier to economic progress: "It was racial integration, which official policy always discouraged or actively opposed, that activated the economic expansion through which the Poor White problem had largely disappeared." Economic integration brought with it social integration, which had the unpleasant byproduct that it "exacerbated the sociological problems created by fears of non-white competitors and the aversion of the Whites to social contact with non-Whites" (ibid.: 37). Those "exacerbated" problems need not persist for long, however, as repeated interaction and exposure should swiftly refute White South Africans' prejudices and incorrect beliefs about Black South Africans' competencies and capabilities.

3.3 The color bar against progress and prosperity

The color bar and Apartheid actively suppressed people's "votes" in the marketplace. Racially discriminatory legislation banned indigenous Africans and Chinese immigrants from some occupations. Walter Williams identifies the 1898 Boilers and Machinery Law as an example: "…every person having charge of a winding engine used for raising and lowering persons shall be the holder of an engine driver's certificate of competency." On its own, that provision could be defended as a measure meant to ensure workplace safety. The next sentence suggests otherwise, however: "No coloured person may hold an engine driver's certificate of competency" (quoted in Williams 1989: 36).

Williams (ibid.: 37) explains that "(t)he Mines and Works Act of 1911 can aptly be called the first of a series of South African laws known as the 'colour bar.'" It interfered with the market process and reduced consumers' sovereignty, albeit behind the naively plausible rationale that the regulations were necessary safety measures:

> The Mines and Works Act gave to the government arbitrary powers to write regulations, ostensibly in the interest of health and safety. Part of its provisions called for the issuance of certificates of competency. By law, certificates of competency could not be issued to non-Europeans in the Transvaal or the Orange Free State.

> Moreover, certificates of competency held by Coloureds in the Natal and Cape provinces were invalid in the northern provinces. (ibid.).

Meanwhile, the Civilised Labour Policy (beginning in 1924) effectively barred low-skilled Indigenous Africans from many occupations by defining "civilized labour" as:

> …the labour rendered by persons whose standard of living conforms to the standard of living generally recognized as tolerable from the usual European standpoint. Uncivilised labour is to be regarded as the labour rendered by persons whose aim is restricted and the bare requirements of the necessities of life as understood among barbarous and undeveloped peoples. (ibid.: 38).

Other rules included the rate-for-the-job principle—essentially a minimum wage—which Hutt (1973: 2–3) described as "the most powerful and vicious form of race discrimination that human ingenuity has ever invented." Job reservation laws explicitly barred non-whites from some occupations. To the extent that the laws eased up, the fact that progressively better-educated whites moved into occupations requiring still more skills such that non-white labor became a complement rather than a substitute for white labor explained reform (Mariotti 2012). To court the votes of organized labor, the South African government embraced discrimination as an "instrument of regulation" that reduced consumers' sovereignty and ultimately hurt South Africa's economic prospects (Lewin 2000: 257).

3.4 Consumers' sovereignty enables progress and prosperity

After moving to the United States, Hutt made the case that similar rules impeded Black's economic advancement. Speaking at colleges and universities around the country, he discussed South African Apartheid and its lessons for the United States civil rights movement. In 1966, he published an article in *Modern Age* titled "Civil Rights and Young Conservatives" (Hutt 1966). He laid out a plan for conservatives and others looking to further the cause of equality, arguing that "most of those in the academic world who find it necessary to call themselves 'conservatives' or 'libertarians' appear convinced that the Negro's claim to full civil rights has the highest moral substance" (ibid.: 231). He blamed "*deliberately imposed man-made barriers to equality of economic opportunity*"—specifically rate-for-the-job rules and minimum wages—for racial inequality (ibid.: 232; emphasis in original).

His policy prescriptions were straightforward: the United States needed to repeal its own "color bars" like minimum wages that made it difficult for Black people with few skills to enter the labor market and advance. In a theme visited in his 1936 book, he predicted an increasingly egalitarian future if those rules were repealed:

> I forecast that, within two decades of the repeal of all minimum wage-rates and the outlawing of all acts of enforcement of the 'rate for the job' by labor unions, not only will the aggregate flow of wages have been greatly increased and full employment secured without inflation, but the Negro will have experienced more rapid economic progress (relatively and absolutely) than at any time in the past. (ibid.: 236).

He added an important footnote indicating that he saw the gap between Black and white incomes as a product of labor market restrictions: "Unless (as I personally do not believe) he should have been held back by inborn defects of intelligence and character" (ibid.). Echoing a theme going back to Thomas Carlyle's characterization of economics as "a

dismal science" (Levy 2001), Hutt argued that the gap between Black and white earnings was institutional rather than innate.

When they are left to their own devices and are free to spend their own money, sovereign consumers are unlikely to actively damage the very poor for the benefit of special interests. As Hutt was fond of saying, the free market is color-blind, and people generally do not care who provides the goods and services they buy if they get good value for their money. Hutt said:

> There is a powerful profit motive to impart skills and to employ all potential industrial or commercial talent. But the principle of the standard rate and labour unions (as they are to-day organised) generally frustrate that motive. (Hutt n.d.: 5).

By usurping consumers' sovereignty, the color bar actively oppressed the poor and powerless. It also impoverished everyone by keeping resources from moving to where they could create the most value.

Much earlier, Hutt (1934: 199) cited examples from other parts of Africa in referring to "the conviction … that the inferiority [of Black workers] is a natural one" as "a delusion." Western and indigenous civilizations differ, "yet as they are to-day they cannot be usefully opposed by the words 'civilized' and 'uncivilized'" (ibid.: 203). He made a similar point in *Economists and the Public*:

> There is hardly any justification for the common assumption that the distribution of *innate* capacity or ability is widely different as between the social classes occupying the various income levels in society.… There must be factors which obstruct mobility in respect of the utilization or development of human resources. (Hutt 1936 322)

The benefits to special interests—white South African labor union members—were tangible and visible. The costs were tangible but harder to see, and they were borne primarily by those who could least afford it.

Humanomics is infused with "classical liberal" ethics (McCloskey 2021: viii), including individual autonomy and equality of permission, and Hutt's analysis has clear ethical implications.[4] As McCloskey (2022: 181) explains in a follow-up volume:

> Under what ethical system is it acceptable to damage *very* poor people, who are very unskilled, in aid of *somewhat* poor people, who are somewhat skilled? The extreme case is South Africa, in which a high minimum wage sponsored by the Congress of South African Trade Unions leaves millions of nonunionists in unemployment, upward of 50 percent of the Black population, sitting in huts in the uplands of Kwa-Zulu Natal. Yet one hears daily from leftish economists just such a calculation of the alleged net benefit from the minimum wage—when the inconsistent leftists are not busy denying outright the law of demand for hired labor (though affirming it for purchases of cigarettes or sugary drinks).

Hutt's political economy was concerned with deliberately imposed institutional barriers to prosperity and equality. Systematized interference with consumers' sovereignty, as manifested in the color bar, satisfied racists and created economic rents for special interests but prevented the South African economy from reaching its potential. He thought the "competitive institutions"—a term he preferred to "perfect competition"—in free markets

[4] See McCloskey (2024) for more on "equality of permission.".

were the solution (Hutt 1936: 81). In an analysis of Hutt's treatment of Apartheid, High (1988: 59) states: "Hutt's refutation of the simultaneous existence of inequalities based on racial discrimination and a market economy is but a logical, though significant, application and extension of his general model of economic progress, which is, fundamentally, rooted in the concept of consumer sovereignty."

Hutt objected to Apartheid politically, socially, and morally. The system fared no better when he subjected it to an economic evaluation. Apartheid usurped consumers' sovereignty. It discarded consumers' "power to demand (or to refrain from demanding)." Apartheid replaced organically emerging structures of production growing out of the price-mediated conversations that happen in free markets with designed and articulated structures of production imposed from above and based on much smaller and narrower conversations among a cultivated political elite. Apartheid replaced decentralized, local, unarticulated knowledge with political surrogates' centralized, remote, articulated knowledge.[5]

3.5 Competitive institutions and "humanomics gradualism"

Hutt was a passionate defender of free market "competitive institutions" and a committed individualist—an ideology associated with greater racial tolerance (Kramer 2023) and earlier democratization (Gorodnichenko and Roland 2020)—and he espoused tolerance, though sometimes reluctant tolerance, toward people with aesthetic, cultural, and even moral views we find distasteful (Carden and Carini 2020). Despite his convictions about the desirability of competitive institutions, he remained a gradualist because "their fanatical acceptance as the goal of practicable reform in the short run is likely to be disastrous" (Hutt 1936: 349). Describing the indigenous practice of *Lobola* (a bride price), for example, he explained that "*Laissez-faire* is probably the wisest policy in this case until the practice becomes an abomination to the natives themselves" (Hutt 1934: 209). Hutt's analysis takes very seriously "the very human problems of simultaneously living in these two worlds, the personal social and the impersonal economic" (Smith and Wilson 2019: 2). His skepticism was warranted; as Jack Goldstone (2023) notes, revolutions rarely achieve their expressed goals, whether they are greater economic prosperity, less oppression by government, or greater equality.

Like other interventions, Apartheid was not consumers delegating decisions to the state. It was the state seizing the consumers' prerogative. South African legislators had made it possible for unionized South African miners, among others, to thwart consumers' votes—which they cast by buying or not—and substitute their political-aesthetic judgments instead. As Hutt (n.d.: 8) explained in linking consumers' sovereignty explicitly to his critique of Apartheid:

> Consumer sovereignty is a system of voting which, in a free society, people in their entrepreneurial capacity must recognize. Through such voting, not only is the composition of the community's asset stock determined, but equally the composition of the stock of valuable skills acquired—at least to the extent to which the workers perceive their prospectively most productive employment outlets.

[5] Analysis and evaluation of such substitution in different contexts appears throughout the work of Thomas Sowell and F.A. Hayek (e.g., Sowell 1980, 1987; Hayek 1945).

Hutt argued that incursions against consumers' sovereignty need not always be governmental. He decried collective bargaining and the strike threat as "the private use of coercion" (Hutt 1973: 126, 283). The strike-threat system that reinforced racist institutions, Hutt (ibid.: 282) argued, was "an intolerable abuse of economic freedom" and "a type of warfare under which privileged groups can gain at the expense of the unprivileged."

Hutt remained optimistic, however, and devoted his book *Plan for Reconstruction* to figuring out how to effect the kinds of institutional changes he warned in *Economists and the Public* would have to "wait for a more enlightened age" (Hutt 1936 345; 1943; Magness et al. 2022). Hutt thought that free markets based on consumers' sovereignty as a normative criterion possessed the virtues of being impartial and impersonal; in 1965, regarding the under-development of South Africa's non-White population, he wrote that "emergent capitalism introduced powerful egalitarian pressures expressed through the colour-blind free market" (Hutt 1936: 268, 282; 1965: 159). A decade after *Economists and the Public*, he explained that sovereign consumers choose reasonably wisely because the market is decentralized:

> The virtues of the free market do not depend upon the virtues of the men at the political top but on the dispersed powers of substitution exercised by men in their role as consumers. In that role, a truly competitive market enables them to exert the energy which enforces the neutrality of business decision-making in respect of race, colour, creed, sex, class, accent, school, or income group. (Hutt 1946: 2)

We cannot, he thought, say the same thing about the unconstrained state:

> For omnipotent representative government (i.e. constitutionally unchecked government, without enforceable rules for making rules) to claim a similar neutrality, we would have to have absolute faith in the virtues of the men who hold, seek or wish to retain power, against the temptations to buy the support of majorities by discriminating against minorities. Virtues may triumph, but in the light of the realities of vote-catching pressures, it demands that the camel shall pass through the eye of a needle. (ibid.: 3).

His criticisms of the color bar reinforced his skepticism about the triumph of virtue. His experience with and later criticisms of formalized Apartheid suggest that he was vindicated. Consumers' sovereignty tended toward colorblindness, which was one reason he embraced free markets as the way for South Africa and other racist regimes to put those shameful legacies behind them.

Hutt argued that the search for political solutions was misguided in part because of the temptation for vengeance that confronts a long-oppressed majority. He found South Africa's "salvation" in classical liberalism: "*Economically*, the economy must be freed up. *Politically*, the franchise must be extended with proportional representation to protect the white minority. *Socially*, legal segregation must be allowed to die. People should be allowed—not forced to, but allowed—to associate with whom they choose" (*Manhattan Report on Economic Policy*, 1983, italics in original). Classical liberalism also requires that we accept the unpleasant truth that we cannot engineer away discriminatory views:

> Neither compulsory segregation nor compulsory integration are an effective means of achieving understanding between those of different colour, or of fostering equality of respect. This remains my conviction although I admit that compulsory

> integration sometimes appears to have an educative effect. But the desirability of compulsions to remove discriminations can hardly be seriously challenged by those who accept the libertarian philosophy. (Hutt n.d.: 5–6).

Hutt thought that free markets guided by sovereign consumers, not compulsion and social engineering, would erode prejudice over time, and he believed that economists had not paid sufficient attention to competition's leveling effects. As he explained in 1936 at the end of his section titled, "The recognition of the implications of this chapter must wait for a more enlightened age, …it is when demand is impartial, when purchasers are completely ignorant or indifferent to the status (e.g., rank, age, sex, race, nationality or religion) of producers, and when other institutions do not protect status, that this tendency to equality finds realization" (Hutt 1936: 346). Demand is most likely to be impartial when consumers retain sovereignty over what is to be produced, when, where, and how.

4 Conclusion

Buchanan (1988) identified two kinds of economists. The first emphasizes constrained optimization, efficiency, equilibrium, and comparative statics. The second emphasizes gains from trade. As he explains, Hutt's analysis of consumers' sovereignty puts him in the second group. We also believe that Hutt has much to contribute to the discussion on humanomics. An analytical approach embracing Smithian classical liberalism and Austrian notions of discovery almost necessarily embraces consumers' sovereignty as an analytical benchmark, if not an explicit normative criterion.

Apartheid was a glaring affront to human dignity. As Hutt argued, it was also an affront to consumers' sovereignty and economic efficiency. High (1988) explained that Hutt's criticism of Apartheid flowed directly from his emphasis on consumers' sovereignty. If consumers would not of their own volition "vote" with their purchasing decisions for the benefit of special interests, they could be forced to. The byproducts, as Hutt argued, included systematic resource misallocation and persistent racial inequality that readily could be attributed to structural and institutional factors—specifically, rules that confined non-whites to low-skill jobs and that kept them out of high-skill jobs.

Consumers' sovereignty is significant because it provides less room for indulging biases and compromising economic efficiency. Perhaps the market works slowly, but it is a way to speed up the demise of pernicious beliefs about group superiority. In that regard, markets are moral spaces unleashing moral forces. Rather than attempting to change people's minds coercively, Hutt favored a gradual approach that relied on markets, gains from trade, and the evolution of enlightened liberal social institutions.

Hutt's ideas about consumers' sovereignty and its role in his critique of Apartheid supply a promising test case for humanomics. McCloskey (2021: 3) describes it as "a new and more serious and sensible way of doing economic science—quantitatively serious, philosophically serious, historically serious, and ethically serious too." Hutt's analysis is not quantitative but is philosophically serious, historically serious, and ethically serious. In a 1983 article in the *Wall Street Journal* reprinted in a mini-festschrift, Thomas Hazlett (1986: 11) suggested that Hutt "may be the most important economist of this century." Hutt's University of Dallas colleague Samuel Bostaph thought he would become one of the most important economists of the next century (Gilcreast 1989b: 3). Hutt's analysis takes race relations seriously. It recognizes how "competitive institutions" can counteract the all-too-human tendency to attribute group differences to inherent differences rather

than institutions. Hutt's work holds a lot of promise for scholars and students seeking to understand the causes and consequences of great inefficiencies—and great evils.

Acknowledgements We thank Micha Sparks, Sinclaire Green, Sydney Rennich, Julia Sisk, and Haven Voorhees for their research assistance. This paper was supported by a Visiting Research Fellowship from the American Institute for Economic Research, a grant from the Institute for Humane Studies' Hayek Fund for Scholars, a grant from the Charles Koch Foundation, and the Center for Governance and Markets at the University of Pittsburgh. We are grateful to seminar participants at the University of Tennessee-Chattanooga, Middle Tennessee State University, Texas Tech University, and Indiana University-Bloomington, session participants at the 2021 Public Choice Society and Southern Economic Association meetings, and the late David Boaz for helpful comments. Thanks to participants at the Humanomics Workshop hosted by the American Institute for Economic Research (AIER) for valuable suggestions. Archival staff at the London School of Economics and Wabash College graciously located and scanned several documents for us from their collections. Many thanks to the guest editors of the special issue on humanomics, Ryan Yonk, Ravi Roy, and Bill Shughart, for useful suggestions and encouragement.

References

Becker, G. (1971). *The economics of discrimination*. University of Chicago Press.
Buchanan, J.M. 1964. What should economists do? *Southern Economic Journal* 30(3): 213–222.
Buchanan, J.M. 1988. Economists and the gains from trade. *Managerial and Decision Economics* 9(5): 5–12.
Carden, A., and J. Carini. 2020. The goodness of tolerance: The humanity of political economy. *Faith & Economics* 76: 59–72.
Charlottesville Daily Progress. (1962). Capetown Professor to speak tonight, March 21, 1962.
Coase, R. H. (1986). Professor Sir Arnold Plant: His ideas and influence. In M. J. Anderson (Ed.), *The unfinished agenda: Essays on the political economy of government policy in honour of Sir Arthur Seldon* (pp. 81–90). Institute of Economic Affairs.
Desmarais-Tremblay, M. 2020. W.H. Hutt and the conceptualization of consumer sovereignty. *Oxford Economic Papers* 72(4): 1050–1071.
Egger, J.B. 1994. The contributions of WH Hutt. *The Review of Austrian Economics* 7(1): 107–138.
Garrison, R. (2001). *Time and money: The macroeconomics of capital structure*. Routledge.
Gilcreast, D. 1989. Nobel prize winner to speak at UD. *University News*, October 11, 1989. W.H. Hutt Papers, University of Dallas.
Gilcreast, D. 1989a. Buchanan lectures on economics. *University News*, October 25, 1989, 1 edition.
Gilcreast, D. 1989b. Lectureship honors economist W.H. Hutt. *University News*, October 25, 1989.
Goldstone, J.A. 2023. You can't always get what you want: Why revolutionary outcomes so often diverge from revolutionary goals. *Public Choice*. https://doi.org/10.1007/s11127-023-01092-7.
Gorodnichenko, Y., and G. Roland. 2020. Culture, institutions and democratization. *Public Choice* 187: 165–195.
Hayek, F.A. 1945. The use of knowledge in society. *American Economic Review* 519–530.
Hazlett, T.W. 1986. Razing Keynes: An economist for the long run. In *W.H. Hutt: An Economist for the Long Run*, ed. M.O. Reynolds, 11–16. Chicago: Gateway Editions.
High, S.H. 1988. W.H. Hutt and apartheid. *Managerial and Decision Economics* 9(5): 59–63.
Holcombe, R. G. (2018). *Political capitalism: How political influence is made and maintained*. Cambridge University Press.
Hutt, W. H. (1934). The economic position of the Bantu in South Africa. In I. Schapera (Ed.), *Western Civilization and the Natives of South Africa: Studies in culture contact* (pp. 195–237). Routledge.
Hutt, W. H. (1936). *Economists and the public: A study of competition and opinion*. Transaction Publishers.
Hutt, W. H. (1943). *Plan for reconstruction*. Routledge.
Hutt, W. H. (1964). *The economics of the colour bar*. Republished by the Ludwig von Mises Institute.
Hutt, W. H. (1965). The complexities of South Africa. In F. S. Meyer (Ed.), *The African nettle: Dilemmas of an emerging continent* (pp. 157–174). John Day.
Hutt, W.H. 1966. Civil rights and young 'Conservatives.' *Modern Age* 10(3): 231–238.
Hutt, W.H. 1968. The Rhodesian calumny. *New Individualist Review* 5(1): 3–12.
Hutt, W.H. 1973. *The strike threat system: The economic consequences of collective bargaining*. Arlington House.
Hutt, W.H. 1927. To Edwin Cannan, December 28, 1927. Reference 1029, 152–156. Edwin Cannan Papers, London School of Economics Archives.

Hutt, W.H. Letter to the editor. 1946. *To the Editor of the Cape Times, January 3, 1946*. Box 11. W.H. Hutt Papers, Hoover Institution, Stanford University.
Innset, O. 2020. *Reinventing liberalism*. Springer.
Kramer, C.W. 2023. Individualism and racial tolerance. *Public Choice* 197(3): 347–370.
Leonard, T.C. 2016. *Illiberal reformers: Race, eugenics, and American economics in the Progressive Era*. Princeton University Press.
Levy, D. (2001). *How the dismal science got its name: Classical economics and the ur-text of racial politics*. University of Michigan Press.
Lewin, P. 2000. William Hutt and the economics of Apartheid. *Constitutional Political Economy* 11(3): 255–264.
Magness, P.W., A. Carden, and I. Murtazashvili. 2022. The danger of deplorable reactions: W.H. Hutt on liberalism, populism, and the constitutional political economy of racism. *The Independent Review* 26(4): 533–52.
Magness, P.W., A. Carden, and I. Murtazashvili. 2023. Gordon Tullock and the economics of slavery. *Public Choice* 197: 185–199.
Manhattan Report on Economic Policy. 1983. An interview with W.H. Hutt, part two: The South African economy, 1983.
Mariotti, M. 2012. Labour markets during Apartheid in South Africa. *Economic History Review* 65(3): 1100–1122.
McCloskey, D. N. (2021). *Bettering humanomics: A new, and old, approach to economic science*. University Of Chicago Press.
McCloskey, D. N. (2022). *Beyond positivism, behaviorism, and neoinstitutionalism in economics*. University of Chicago Press.
McCloskey, D.N. 2024. Equality of Permission. Working Paper: Cato Institute.
McDowell, E. 1965. Economist outspoken critic of Apartheid. *Arizona Republic*, March 1965, sec. A.
Olsen, N. (2019). *The sovereign consumer: A new intellectual history of neoliberalism*. Palgrave Macmillan.
Peltzman, S. 1976. Toward a more general theory of regulation. *Journal of Law and Economics* 19: 211–240.
Reynolds, M. O. (Ed.). (1986). *W.H. Hutt: An economist for the long run*. Gateway Editions.
Reynolds, M.O. 1997. W.H. Hutt's contributions to economics: Introduction. *Journal of Labor Research* 18(2): 185–89.
Roback, J. 1988. WH Hutt's the economics of the colour bar. *Managerial and Decision Economics* 9(5): 65–70.
Roback, J. 1989. Racism as rent seeking. *Economic Inquiry* 27(4): 661–681.
Slobodian, Q. (2018). *Globalists: The end of empire and the birth of neoliberalism*. Harvard University Press.
Smith, A. (1776). *An inquiry into the nature and causes of the wealth of nations*. Liberty Fund.
Smith, A. (1982). *Lectures on jurisprudence*. Liberty Fund.
Smith, V. L., and Wilson, B. J. (2019). *Humanomics: Moral sentiments and the wealth of nations for the twenty-first century*. Cambridge University Press.
Sowell, T. (1980). *Knowledge and decisions*. Basic Books.
Sowell, T. (1987). *A conflict of visions: Ideological origins of political struggles*. Basic Books.
Stigler, G.J. 1971. The theory of economic regulation. *The Bell Journal of Economics and Management Science* 2(1): 3. https://doi.org/10.2307/3003160.
The Wabash Bachelor. 1962. Hutt visits campus; says Apartheid doomed to failure, April 13, 1962. *Wabash College Archives*.
Tullock, G. 1975. The transitional gains trap. *The Bell Journal of Economics* 6(2): 671. https://doi.org/10.2307/3003249.
Victoria Times. 1962. 'Black future for whites' says S. African professor, June 7, 1962.
Village Voice. 1962. Around town. February 22, 1962.
Weingast, B.R. 2023. Liberty and the neoclassical fallacy. *Journal of Public Finance and Public Choice* 38(2): 150–174.
Williams, W.E. 1989. *South Africa's war against capitalism*. Praeger.
Yamey, B.S. 1988. Professor Hutt on monopoly policy (1934–43). *Managerial and Decision Economics* 9(5): 27–31.