
Book Review

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Mission Economy: A Moonshot Guide to Changing Capitalism

by: Mariana Mazzucato

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Mariana Mazzucato, well-known for her 2013 *The Entrepreneurial State*, has written a new book in which she urges readers to rethink the capacities and the role of government. The centerpiece of her 'Moonshot Guide' is the USA Apollo space program started in the early 1960s, which resulted in successfully putting two men on the moon.

Her book is divided into four parts. Part One analyses what went wrong with Western capitalism, written around five myths that have impeded progress. Part 2 discusses what we can learn from the Apollo program, while part 3 discusses the challenges that we should tackle today. In the book's final part, Mazzucato develops seven principles to reimagine our future.

The book is timely. The Covid-19 pandemic has reminded us that we are part of a society and that this matters. There is a 'we' in social life, and we can imagine nice things and then try to get what we want. Mazzucato writes: "The wrong question is: how much money is there and what can we do with it? The right question is: what needs doing and how can we structure budgets to meet those goals?" The book is about rethinking government and capitalism, about how public and private organisations relate. It is intended for both theorists and practitioners, providing a guide towards what Mazzucato calls a 'purpose-oriented economy'.

The second chapter deals with 'capitalism in crisis'. The Thatcher-Reagan model of austerity politics had to be abandoned to do 'whatever it takes' to save the economy. Mazzucato identifies four key sources of the crises in contemporary capitalism. The financial sector is focused too much on the short term, with a large part of money creation going into finance, insurance, and real estate (FIRE). Only a small part actually finances production. Banks were bailed out and nothing changed. Now they are deemed too big to fail, with an implicit government guarantee that nothing can happen to the banking system as a whole. This encourages excessive risk taking. Second, businesses focus only on quarterly returns. Instead of financing long-run investment, cash flow is used for share buybacks, boosting share prices and hence management bonuses. The third source of crisis is global warming, which does not need further explanation. The fourth source concerns the role of government. As Mazzucato notes, governments today are tinkering, not leading. While the old paradigm saw government as a creator of a level playing field for business, this will have to change, since the transformation needed to

confront our problems is so large that only government can do it. Therefore, the book is about the role of government. Mazzucato argues that the typical macroeconomic instruments used by governments – fiscal and monetary policy – are not used to deliver change. Instead, they are used to stabilise the existing situation.

Chapter 3 focuses on five myths that stand in the way of progress:

- First, businesses as the creator of value and governments only as facilitators. In the real world, governments create value, too. She sees government as a leader, not as an institution to fix markets.
- Instead of crowding out private investment, public investment would crowd it in.
- Mazzucato claims that new public management and cost-benefit analysis are failing in a world of fundamental uncertainty and feedback loops.
- Outsourcing government functions, which has reduced government capabilities while not delivering promised increases in efficiency.
- Government should not pick winners. Mazzucato writes that governments create markets and help to structure them. Governments should not be afraid to actively shape markets and ensure that businesses create value and not just profits.

What does it take for us to achieve our boldest ambitions? To answer, Mazzucato dives into the Apollo mission that brought two men on the moon. She discusses interesting details, like the organisational flexibility granted to NASA. She also provides a nice figure of 20 things that we wouldn't have without space travel. Concluding the chapter, Mazzucato calls for a transformation of government. Instead of a 'bureaucratic top-down administration' she imagines a 'goal-oriented stimulator of new ideas from the ground up' structured in a way 'to fulfil public purpose'.

In part 3 of the book, Mazzucato asks 'who determines what missions are chosen?' Politicians and policy makers should explain their goals to the public. This would bring the people back into politics if they can help to fulfil missions. Private and public companies should work together to complete a mission as equals. Mazzucato also discusses a green new deal, blaming the current mode of government for the failure to address climate change and other environment problems. Missions to provide health care for all or create the infrastructure for the digital economy are also discussed. The state has to rethink its role when fulfilling missions is the new goal.

Part 4 provides us with seven principles for a new political economy. This is the book's core. Mazzucato accepts Minsky's idea about the existence of varieties of capitalism and adds that 'we have the wrong one'. So, we need to rethink the way we run our current variety of capitalism. First of all, we need government to recalibrate public interest and public value. Picking missions along these lines and co-opting the private sector to reach the mission goals would be transformative. Whereas now, the government only jumps in when markets fail, it should actively think about how problems can be addressed through government action.

The second principle is to replace the idea of market failure with that of market shaping. Markets are never efficient, and the government should always think about shaping markets to make them grow and deliver. The third principle is about adding more dynamic capabilities to the public sector if it is to fulfil its new role. Experimentation and learning need to be encouraged and supported by the institutional structure.

Principle 4 is about outcomes-based budgeting. Missions, writes Mazzucato, require long-term thinking and patient finance. She explains why governments should not be confused with households when it comes to finance and provides the reader with a short, but precise introduction to modern monetary theory. The next principle is about the distribution of value that is created. How can we ensure that the distribution is fair, when government obviously is helping businesses to create value? Share buybacks should be outlawed, Mazzucato writes. She also lauds the Danish Government's decision that during the Covid-19 pandemic it would not help private companies that had money in tax havens. Principle six is about purpose and stakeholder value. Mazzucato discusses Raworth (2017) and the circular economy to cut the link between economic growth and the extraction and consumption of resources. Elinor Ostrom is also mentioned as her work implies that policies should be determined at the local level if possible so that people have a stake in outcomes. The last principle stresses the use of open – in the sense of being open to everyone – systems to co-design our future. This is about participation, about bringing people back into the political processes that shape their lives.

Mazzucato concludes by re-emphasising the need to tackle today's large problems by reinventing the role of the state. Mazzucato dedicates her book to "the future young women scholars and practitioners" and hopes that the Covid-19 pandemic provides us with an opportunity to imagine another world and to fight for it.

Mazzucato's book is the next step for those who have read Kelton's (2020) *The Deficit Myth*. Once it is understood that public finance is not like that of a household, what do we do with the knowledge that as a currency issuer the government cannot run out of money? While MMT provides the answers about the macroeconomic questions, among them the level of government spending consistent with full employment and price stability, what should we spend the money on? This is obviously a political issue, so how would one frame it? Mazzucato provides a first answer to reinsert the state in economic theory in a meaningful and comprehensive way. This necessarily means providing us with a bird's eye view, skipping the finer but yet important points. For instance, how can developing countries with public debt in foreign currency ensure that an increase in government spending to tackle climate change does not create macroeconomic problems? These questions will have to be tackled in academic writings that examine such problems and develop – hopefully – missions to tackle them.

The *Mission Economy* does not provide readers with a blueprint on how to get there politically. (Its index contains no index for 'power'; nevertheless, Mazzucato mentions some damaging policies like share buybacks which should be removed but where political resistance will very likely be fierce.) There are no guidelines for building grassroots organisations dealing with one mission or another. Mazzucato does not tell us how politicians can translate these ideas into party platforms that the electorate can then vote for, nor how economists will come around to support her ideas. It would have been too much to ask for all these things, and probably would have made her book less cogent than it is. It is the task of future researchers to flesh out these items in greater detail.

Galbraith (1973, p.8) wrote: "Economists, like other people, have an instinct for what is worthy, responsible and reputable. It is by defining what is responsible and reputable that economic interest principally prevails". With her new book, Mazzucato has redefined what is responsible and reputable. The cognitive dissonances resulting from the great financial crisis and the Covid-19 pandemic will cause many people to examine their paradigms closely. Theorists and practitioners trying to get a grip on how to redefine the role of the state in order to change capitalism will enjoy this book.

References

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