The State in modern capitalism
co-creator of value (not only enabler)
market shaper (not only fixer)
investor of first resort (not only lender of last resort)

Mariana Mazzucato
Professor in the Economics of Innovation and Public Value, UCL
Founder/Director, UCL Institute for Innovation and Public Purpose
@MazzucatoM
https://www.ucl.ac.uk/iipp
Levelling the playing field?

standard policy tool kit:

Set rules of the game

De-risk, enable, incentivise, ‘facilitate’ private sector

Fix market and system ‘failures’

Lender of last resort
Just fixing failures?

- Public goods e.g. knowledge, clean air
- Coordination failures e.g. pro-cyclical investment
- Negative externalities e.g. pollution
- Information failures e.g. SME finance
- Imperfect competition e.g. monopolies
Unproductive government?

GDP sees government only as ‘spender’ not producer.

Policy is only about ‘fixing’ market failures.

Public Choice theory trains civil servants to think that government failure even worse than market failure.
Private wealth creators encouraged to:

➢ invest in capabilities
➢ take risks & welcome uncertainty
➢ learn from trial and error
➢ make strategic choices (MBA)
➢ be hungry & foolish!
Public servants encouraged to:

➢ facilitate
➢ de-risk
➢ level the playing field
➢ redistribute value
➢ fix market failures then get out of the way!
"Governments have always been lousy at picking winners... As the revolution rages, governments should stick to the basics: better schools for a skilled workforce, clear rules and a level playing field for enterprises of all kinds... Leave the rest to the revolutionaries."

(‘The Third Industrial Revolution’, The Economist, April 21, 2012).
yet...market failure policies didn’t get us most *radical* innovations

- ‘mass production’ system
- aviation and space technologies
- IT and internet
- nuclear power
- nanotechnology and AI
- green technology
...and won’t get us the SDGs
Uncle Sam: investor of first resort

Source: Mazzucato (2013), p. 109, Fig. 13
Total NIH spending, 1936-2011 in 2011 dollars = $792 billion

NIH budget for 2012 = $30.9 billion

Source: http://officeofbudget.od.nih.gov/approp_hist.html
Green tech: state leads government follows

Figure 4: Risk-capital intensity classification of RE finance

Boundary of the present study: asset finance

- Low Risk
  - High Capital Intensity
    - (project finance/existing firms)
  - Low Capital Intensity
    - (existing firms/bank debt)

- High Risk
  - High Capital Intensity
    - (Hard to fund)
  - Low Capital Intensity
    - (Venture Capital)

Derisking
Welcoming uncertainty
Fixing markets
Co-creating and shaping
Levelling playing field
Tilting towards a direction

Outsourcing
Capacity building
Picking winners
Picking the willing
Cost benefit
Dynamic spillovers
MISSIONS
Mission-Oriented Research & Innovation in the European Union
A problem-solving approach to fuel innovation-led growth
by Marlene MAZZUCATO

Figure 1. From Challenges to Missions Image: RTD - A1 based on Mazzucato (2017)
CLEAN OCEANS

A PLASTIC-FREE OCEAN

Reduction of 90% of plastics entering the marine environment and collection of more than half of plastics present in our oceans, seas and coastal areas by 2025

Grand Challenge

Mission

Areas of interest & cross-sector

R&I Projects

Chemical industry
Social innovation
Biotech
Human health

Marine life
AI technology
Design Sector
Waste management

Autonomous ocean stations to remove plastic pollution
Re-usable and biodegradable plastic substitutes
Plastic and micro plastic digestion mechanism
Re-use of packing items through personalised collection services
Image recognition and deep learning waste separation system for domestic and marine waste
New lens: market shaping and co-creating
rethinking how public value is created, nurtured and evaluated