

Stories about value creation

(and why they matter for achieving the SDGs)

Mariana Mazzucato

Professor in the Economics of Innovation and Public Value
University College London

Director of the Institute for Innovation and Public Purpose

[@MazzucatoM](https://twitter.com/MazzucatoM)



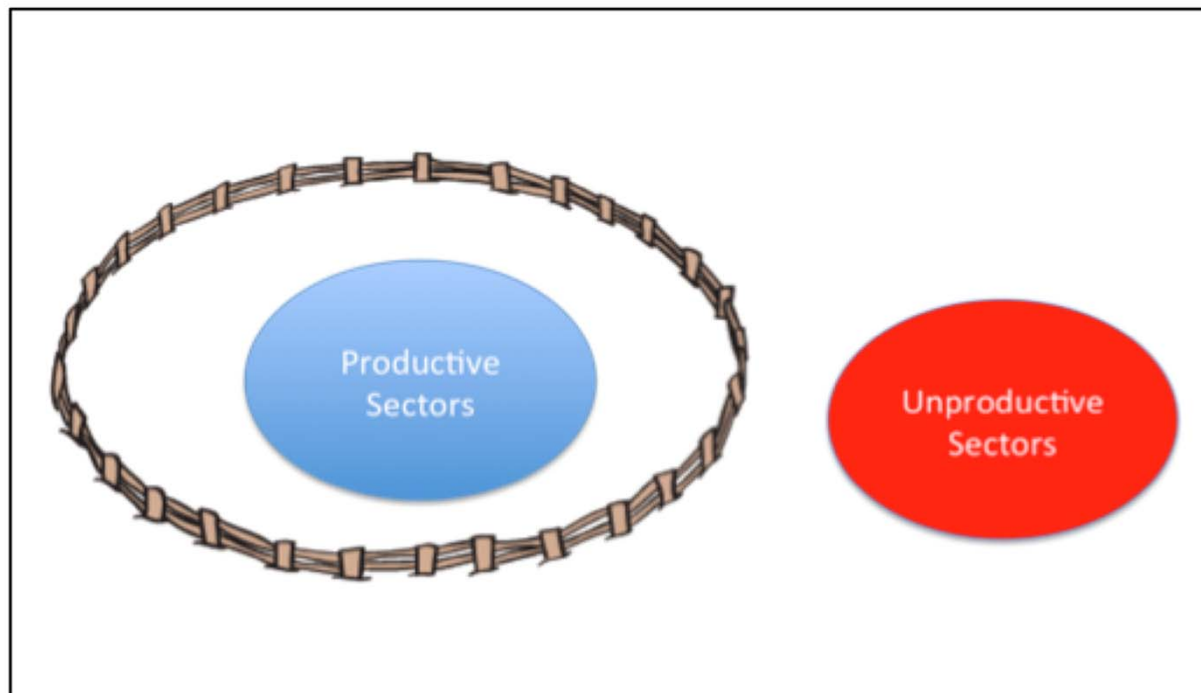
Inequality

(making and taking)

*“The barbarous gold barons—they did not find the gold, they did not mine the gold, they did not mill the gold, but by some weird **alchemy** all the gold belonged to them.”*

Big Bill Haywood, 1929, Founder of the United States’ first industrial union

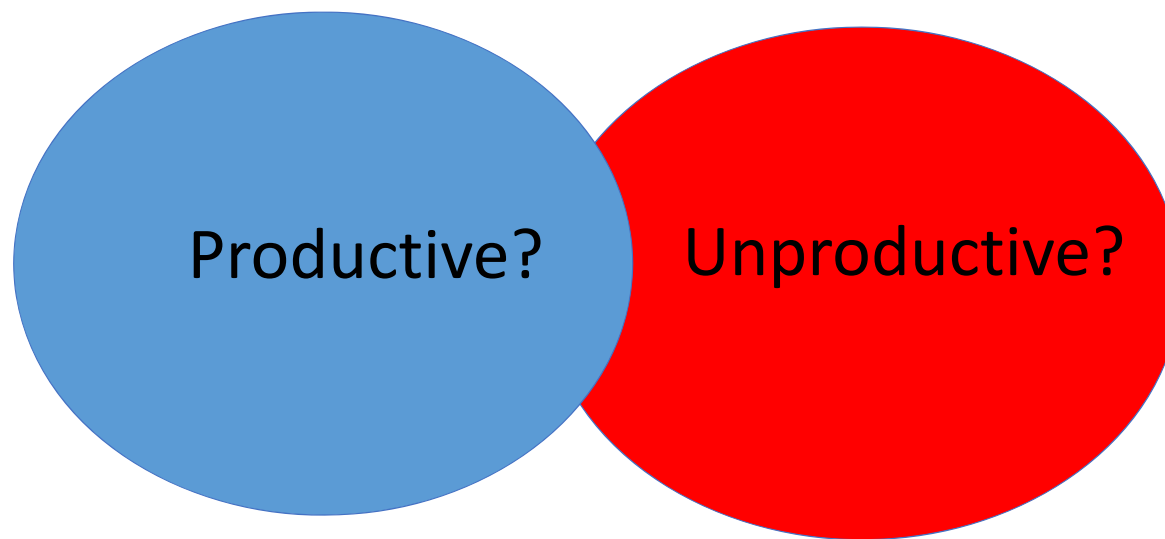
Who takes? Who Makes?



Where does Value come from?

- 1600s Mercantilists: **TRADE!**
- 1700s Physiocrats: **FARMING!**
- 1800s Classical: **LABOUR!**
- 1900s/now Neoclassicals: **PREFERENCES!**

What happens when value debate disappears?



Price  Value

"I earn loads, I must be productive!"

Story tellers rule the world (Plato)

‘who is productive? who creates value?’

“The people of **Goldman Sachs** are among the most productive in the world” Lloyd Blankfein, CEO Goldman Sachs, 2009

‘Ring-fence valuable **financial services**’ (Brexit)

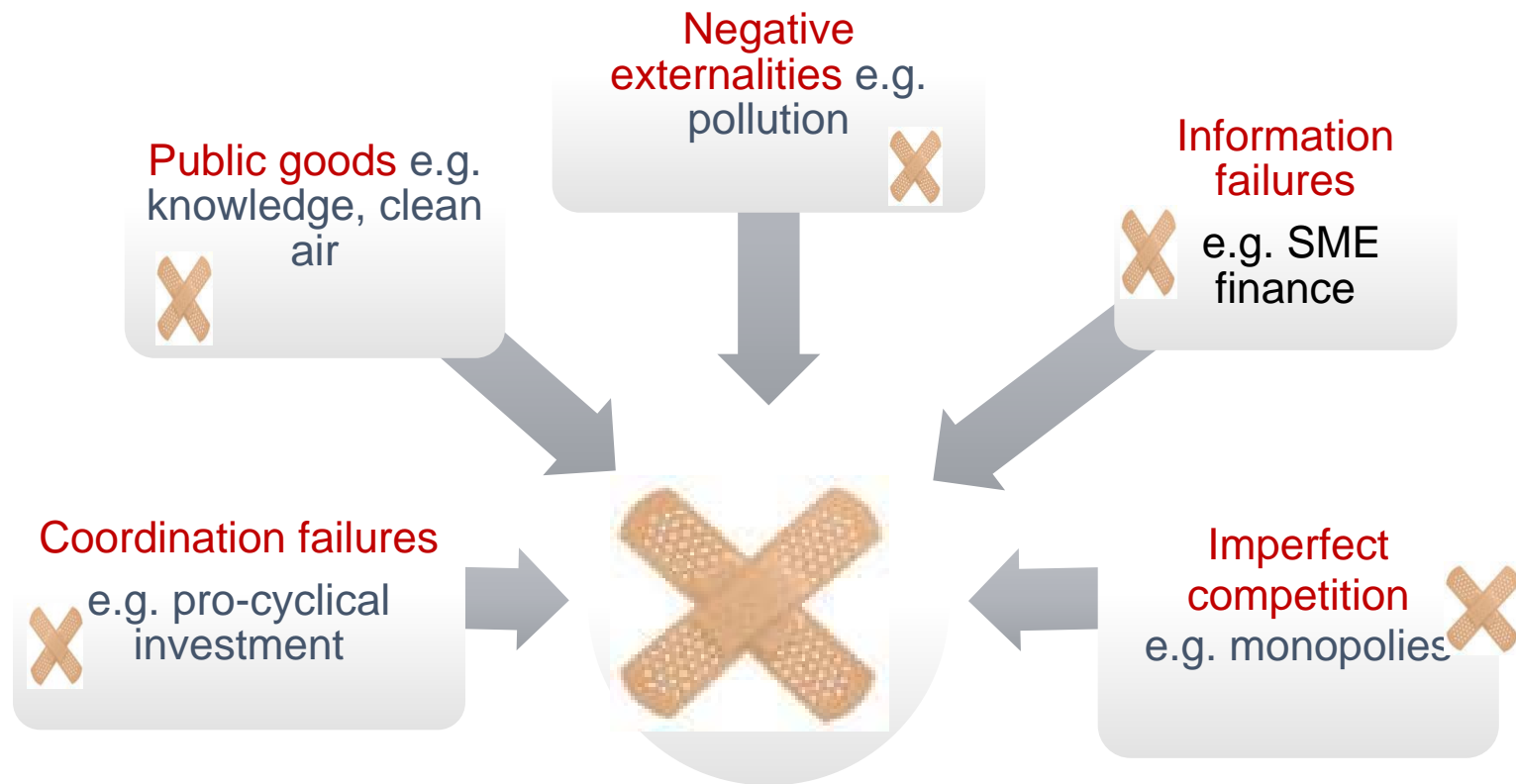
Silicon Valley wealth creators “don’t do evil” (Google)

High prices justified through ‘**value based**’ pricing (Big Pharma)

The State **facilitates** business production—at best ‘**redistributing**’ value

Public **de-risks** private (so private value creators take risk)

Just fixing failures?



Will levelling the playing field get us there?

Setting rules of the game

De-risking, enabling, incentivising, 'facilitating'

Fixing market and system 'failures'

Lender of last resort

the assumption



private
sector

vs.



public
sector

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!**

(get out of the way for philanthropies,
consultants, and business to step in)

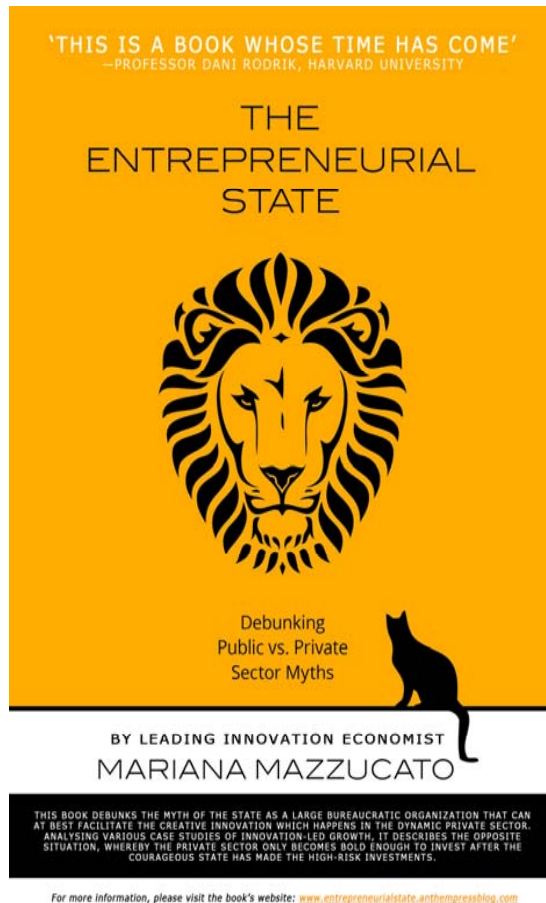
But wait...market failure policies
didn't get us *radical* innovation (GPTs)

- 'mass production' system
- aviation and space technologies
- IT and internet
- nuclear power
- nanotechnology and AI
- green technology

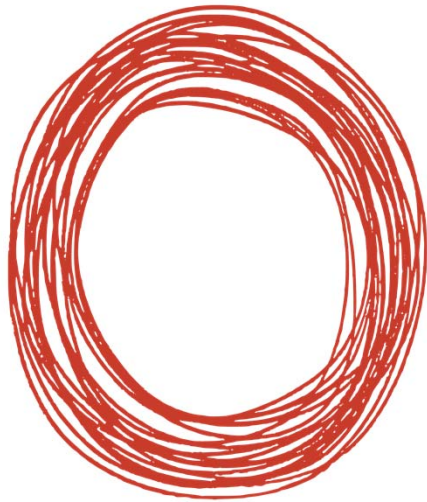
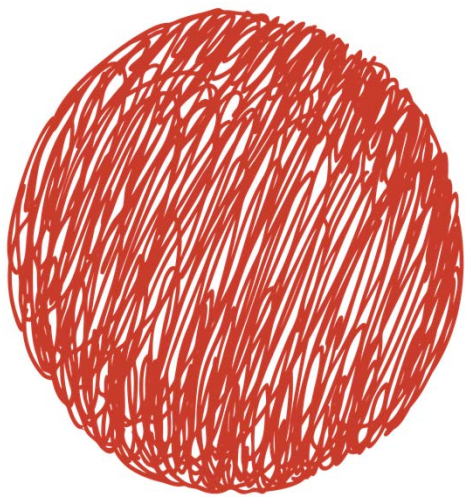
... and sure wont get us the SDGs



New lens: market shaping and co-creating



rethinking how public value is
created, nurtured and evaluated



UCL Institute for
Innovation and
Public Purpose



Rethinking Value and Purpose through Mission Oriented Policy



Figure 1 below illustrates the movement from broad challenges to specific missions.

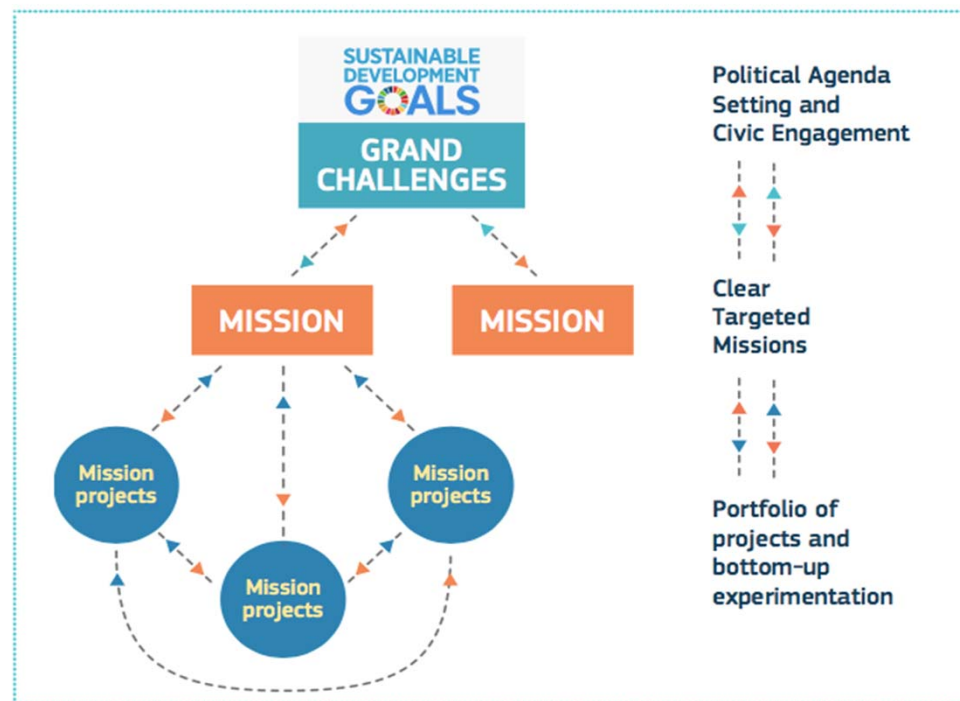
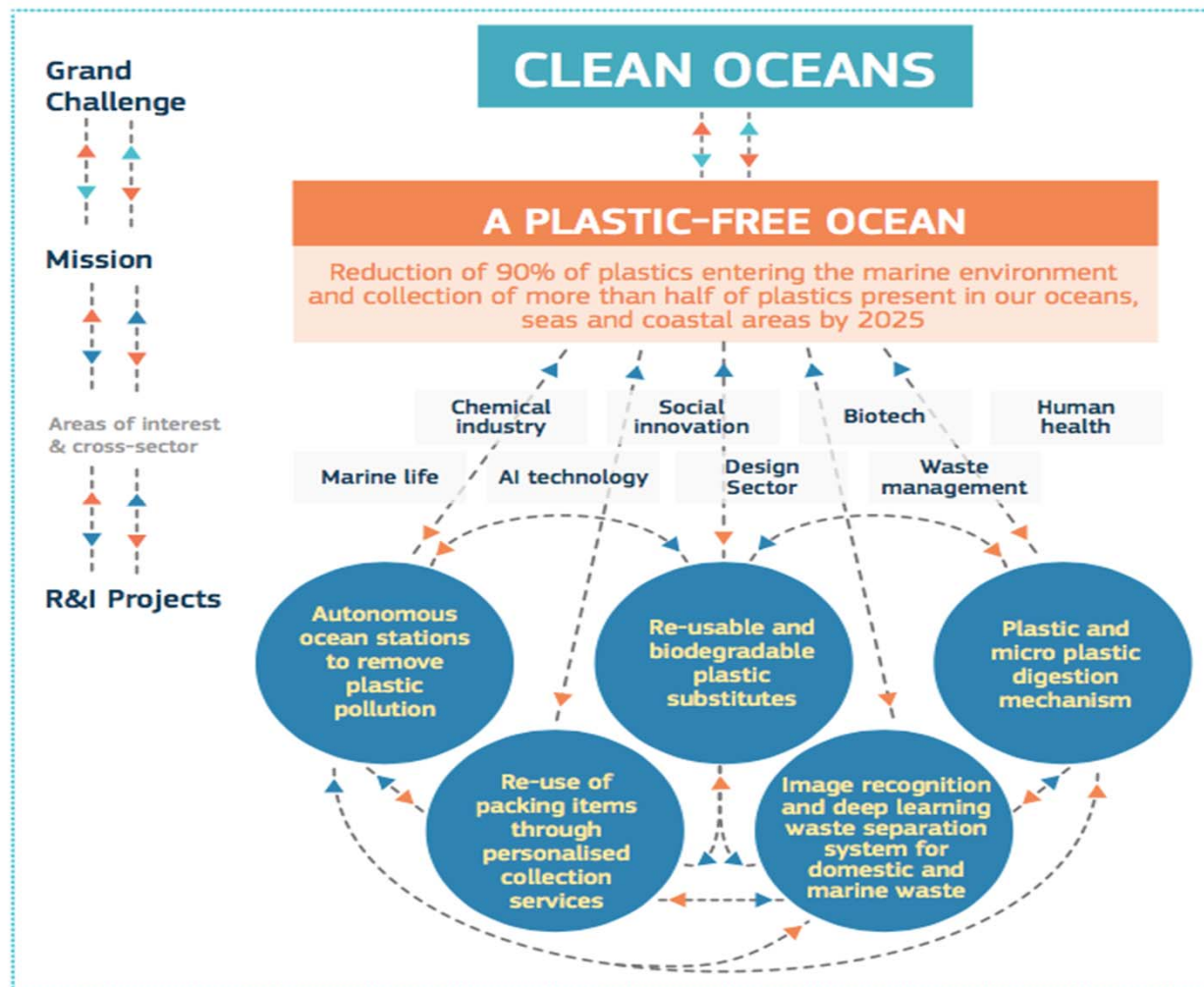


Figure 1. From Challenges to Missions image: RTD - A.1 based on Mazzucato (2017)



Criteria

- Bold and addressing societal value
- Concrete targets: you know when you got there!
- Cross-sectoral, cross-actor, cross disciplinary
- Multiple competing solutions and bottom up experimentation

Better 'deal' between public & private

- reinvesting profits (and limiting share buybacks)
- retaining golden share of IPR
- capping prices (Bayh Dole act allows it)
- negotiating conditions (generics)
- income contingent loans
- Investment/quality conditions attached to outsourcing contracts
- retain some equity (Tesla & Solyndra lesson)
- % payback into an 'innovation fund'
- State investment banks

(discussed in Mazzucato, 2015; 2016)

Implications of rethinking Value

- GDP (what is counted)
- Corporate governance (parasitic vs. symbiotic partnerships)
- Pricing of drugs (access)
- Digital/platform capitalism (ownership)
- Role of the state (governance)

~~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

Mazzucato, M. (2013), *The Entrepreneurial State: debunking public vs. private sector myths*, Anthem Press: London, UK, ISBN 9780857282521; Public Affairs USA 2015; Penguin 2018.

Mazzucato, M. (2016) "*From Market Fixing to Market-Creating: A new framework for innovation policy*", Special Issue of *Industry and Innovation*: "Innovation Policy – can it make a difference?", 23 (2)

Mazzucato, M. (2018a), *The Value of Everything: making and taking in the global economy*, Allen Lane-Penguin; Public Affairs USA 2018.

Mazzucato, M. (2018b) "*Mission Oriented Innovation Policy: Challenges and Opportunities*", *Industrial and Corporate Change*, 27 (5): 803–815,

Mazzucato, M. and Semieniuk, G (2017) "*Financing renewable energy: who is financing what and why it matters*", *Technological Forecasting and Social Change* (June 2017)

Mazzucato, M. (2018c) "*Mission-Oriented Research & Innovation in the European Union: a problem-solving approach to fuel innovation-led growth*". Report for the European Commission, ISBN 978-92-79-79918-1