LÁSZLÓ ANDOR
interviews MARIANA MAZZUCATO

Economics on the left side

László Andor: *First of all, I would like to congratulate you, as we choose a progressive person once a year. This time, we not only want to highlight your academic contributions but also your involvement in the political debate. Recently, for example, we welcomed your video message at the PES Congress. You also addressed the Italian Partito Democratico conference on industrial policy, and I could list others. So, my first question is, what motivates you to be more active in politics than many of your fellow professors?*

Mariana Mazzucato: You know, there's a wonderful radio show called Desert Island Discs at the BBC, where they interview, in theory, famous people; they ask them to talk about their life and to choose eight songs. One of the songs I chose was *Which Side Are You On?* Because I think that's the point: we economists and academics like to pretend that we always have to be objective. But how we do our research, which assumptions underlie our theory, that's never objective. It's always subjective. Economics is a social science; it's not a physical one. So there are all sorts of different assumptions. Many of the problematic issues out there stem from the inability to take the climate crisis seriously, as well as our lack of reflection on how to design better solutions, rather than relying on parasitic public-private partnerships. I believe we have parasitic, not symbiotic, public-private partnerships.

These are decisions we make. There's nothing inevitable. And so, for me, the challenge is to convince policymakers that they need to better understand that economics has embedded within it very problematic assumptions, which then determine what happens on the ground. It's very hard to have better results – whether it's on inequality, on climate change, on the financialisation of the economy – without new economic thinking and vice versa. At my institute, we take working with policymakers seriously and strive to apply the lessons learned on the ground to theory. We call this practice-based design. I'm just as interested in the theory as I am in the policy, practice and politics. However, I think the dynamic between the two will make both better.

LA: *Is it too simple to say that progressive politics requires progressive economics? And I'm asking this because a lot of people consider economics a very technocratic, politically neutral science. So, how do you envision the scope for progressive economic policy in today's market systems?*

MM: First of all, the word progressive economics, I think, has led to lazy economics. It doesn't really mean much. What we want is a progressive result. Economics has to be the theory of how we understand how the economy works. It's not necessarily progressive or non-progressive. The question is, what do we do with it? What do we do with those economic tools to render the world, the planet, our cities, our regions or our nations progressive in the sense of more sustainable or inclusive? So, less inequality and more productive investment, rather than just financialised assets being bought and sold. And of course, tackling the biggest problems of our time, from water to biodiversity to climate. So, the term 'progressive economics' – I actually think it's part of the problem. But what does the state do? And in the capitalist economy, is it fixing market failures or is it actively shaping the market? That's not a normative point. You can shape markets in a terrible way, so that they end up creating all sorts of problems. The theory is about fixing versus shaping. According to the traditional theory, the public sector can, at best, mitigate a market failure. Whereas my work, drawing on the one by Karl Polany, is more about shaping. To shape markets instead of fixing them, leading to progressive outcomes, you need very specific tools, instruments and designs of public-private relationships.

Another issue, I think, is that young people in the movement for rethinking economics have gone overboard by saying that economics is technocratic. They say that there's too much mathematics. However, my point is that there's wrong mathematics. There's mathematics from Newtonian physics that should be mathematics for biology.

Of course, we also need case studies. It can't just be mathematical or technical. Of course, we need qualitative studies, but it shouldn't be just an accusation of 'Oh, they have too much maths and we need to bring it back to something more user-friendly', because you can have all the problems of the theory that I and others have highlighted, even in non-mathematical economics.

So I don't really buy the technocratic bit either. I try my best to both nurture new students through the PhD program and the master's program, to work with policymakers to bring the lessons to the ground. And what we learned, for example, is how to design a development bank in a way that can actually foster a green transition, to the theory of development banks, to the theory of public finance.

So, the arrows go both ways: using new economic understanding and new economic thinking to drive a progressive economy. And on the ground, when you open the can of worms, whether it's the Chips Act in the US, whether it's what Lula is trying to do with the ecological transition, and in particular, the use of a very active public bank in Brazil, bringing those lessons back to the theory.

That's about the dynamic and static aspects of economics, bringing a lived experience from the policymaking side back to make the theory itself better.

LA: *I would like to draw your attention to the EU policy debate, specifically the Draghi report, as the EU has been focusing on competitiveness over the last year or so, perhaps to the point of obsession. And I really wonder, what do you think about this discussion about the Draghi report, and how exactly the EU leadership has been using it?*

MM: Good point. So the reason I wrote *The Entrepreneurial State* back in 2013 was to combat the false myths that, in some ways, have come back into the Draghi report, which is we need to spend more on research and development, to have a unified also demand, because, when you have the US Department of Defense using its procurement budget to allow start-ups to scale up, that's much more than we have in Europe, where we're all divided up into our little markets. The assumption is that we just need more venture capital. What I tried to show is that, ironically, the US ecosystem has, in fact, been guided by a much more visible hand, not an invisible one, than in Europe. Not only because they had much more research and development spending. But the institutions they have across the whole innovation chain, from the upstream basic research to the midstream applied research, to the more downstream public venture capital funds. In-Q-Tel, which is the CIA's very large public venture capital fund, has been central to providing patient long-term finance, and the SBIR program, which means that every department in the US government has to spend 5% of its budget on procuring innovations from small and medium enterprises and also other demand-side policies. All of these have allowed US companies to grow and benefit from huge amounts of public sector innovation spending, including in the life sciences, where they spend $40 billion a year in the US on life sciences funding for innovation.

So 75% of new molecular entities, with priority rating, which are their radical drugs, trace their research back to the National Institutes of Health. We don't have that level. Think of the missions and the mission-oriented research that I wrote about for the European Commission – on the back of which now there's the missions instrument. The total amount of money that we put into all five missions in Europe is about €33 billion for the whole Union. The US, for health-related spending alone, spent $40 billion. The massive difference in the public sector, where proactive innovation has historically crowded out private sector innovation, particularly in the military, is notably absent in Europe. And what my work has said is why just the military? Why don't we know how to be more ambitious in terms of energy sustainability, health outcomes and so on? I think that there's a lot of good stuff in the Draghi report. However, the problem is that it doesn't dismantle one of the biggest myths in Europe, which is that southern Europe was spending too much money and needed to tighten its belt. Southern Europe has been much, much weaker. Italy's public bank is much weaker than Germany's. In Italy, there is no vocational training for working-class learners. What we need is a proper report that actually unveils this kind of granular information about institutions in European countries.

What have we learned works better? Italian nursery schools are some of the best in the world. There are Italian high schools, which I think are actually very good in terms of the critical mindset they provide for students in philosophy and similar subjects, much better than an American high school. So it's not about US versus Europe. It's even more granular;

the truth behind European competitiveness is that, actually, the problem in southern Europe is that they invest too little. They didn't spend too much. They invested way too little in research and development for active and smart public bank loans that were strategic and mission-oriented, particularly in the food hall, to foster science-industry linkages.

And so the problem is that by not highlighting that irony, in Europe, even after the financial crisis, all the loans to southern Europe were conditional on austerity. Instead of being conditional, you must start in these areas that will render you more competitive. We haven't gotten rid of that logic. We have, of course, the NextGenEU program now in Europe. However, that didn't really transform the capacity of governments at the member state level to implement smart programs. Everyone can come up with projects related to climate and digital, which is the condition for receiving the money. But you don't know what to do with those projects, where the sum is not bigger than the parts. It doesn't lead to transformation unless you have active industrial strategies – I think mission-driven industrial strategies – which ensure that we transition from projects to a portfolio program. Which again, if you look back to the US, they've always had portfolio programs around their particular priorities.

LA: *And even the NextGenerationEU has not been stabilised. So, they are essentially phasing it out without replacing it with a comparable fiscal capacity.*

MM: Yeah, exactly. Fiscal capacity continues to be driven by old economic principles, which do not actually focus on investment.

LA: *Exactly. Having mentioned old economics, I think many people struggle to think deeply about this. They reduce the whole concept of competitiveness, on the one hand, to trimming the administrative burden and, on the other hand, especially in the Eastern European countries, to relying on a low-tax, low-wage regime. This is the mentality of semi-developed countries, which just do anything and everything for foreign direct investment. And they don't realise early enough that they are actually in a race to the bottom, rather than upwards.*

MM: I completely agree, and I've been writing extensively about how these European tax incentives often result in a race to the bottom because they're not even conditional on business investment. It's just trying to attract capital to Europe, given the insecurity complex we have with the US, which is evident in the Draghi report. It makes me think sometimes we need therapy as well as economic analysis. The way to design a smart tax incentive or any subsidy is conditional on the private sector actually doing their job and providing proper investment, investment and with particular characteristics. This is what President Biden did with the Chips Act. The money that went to the semiconductor companies was conditional upon workers getting paid more, improving working conditions, reinvesting profits into the economy instead of just being given out to shareholders and dividend payouts. But that was an exception under Biden. And now, in fact, Trump is destroying it. But there's very few examples of that in Europe and definitely in countries like the UK, where because of Brexit, they are so desperate for capital. But there's also other parts of Europe that are desperate for capital, and to attract capital they do exactly as you said – a race to the bottom. But this doesn't work because if you attract capital just through tax, it might come and leave because someone else will offer a better tax incentive later. So, actually the challenge is getting dynamic businesses to stick, like in Denmark, which is the number one provider to China of high-tech, green digital services. Examining how Denmark became so competitive in green digital services reveals many valuable lessons.

Copenhagen wanted to be one of the greenest cities in the world. So it had a mission. It had a vision. It had a plan. A lot of the kind of innovation hubs in Copenhagen would have actually amounted to nothing, like most startups amount to nothing, had there not been that vision. These companies started to work in a more dynamic, almost networked kind of way, where the sum is bigger than the parts, working not only with the city of Copenhagen, but also with Vestas, now one of their national champions on renewable energy. These companies, which ultimately also served the city's needs in some ways, were crucial to the development of the green economy. Because, don't forget, sustainable mobility also has a digital side to it. Digital to me is everything! It's the tool we use in the modern world, essentially for the movement of not just goods and services, but also of ideas, and so forth.

Any mission, whether it's a health mission or a sustainability mission, will always have very strong data and increasingly an AI component. And what is particularly interesting is that Denmark had both capacities at the state level, thanks to investments in organisations like Mind Lab, which was similar to Sitra in Finland. These are like units within the government that focus on making it smarter, more agile, more flexible and more willing to experiment. In Chile, they have a *Lobaratorio de Govierno*. It's like a laboratory inside the government, which helps the government test new methods.

For example, speaking of procurements, there are stupid ways to do procurement, and there are smart ways. So, if you're going to change the law, consider procurement, which is often problematic, and implement mission-oriented procurement. You might start testing it out, for example, with school meals. In Sweden, they did this: healthy, tasty, sustainable school meals for every child. What does that mean for the way that government works between the Department of Agriculture, the Department of Health, the Department of Education, the Department of Finance and the inter-ministerial war room kind of mentality? I say 'war room' because, during Covid and in wars, departments work together, but in normal times they're stupid, and they just work in their little silo using missions like those around school meals; this is what Sweden did. It made their government more effective, enabling them to work in an inter-ministerial manner. That doesn't just happen. You need to invest in the government's capacity to do that. The US is not doing that today. The whole DOGE rhetoric is actually reducing state capacity. And in Europe, in every country, like in Italy, every time we have a reform of public administration, it's just cuts. It's this idea that somehow we have too many civil servants or there's too much red tape; too much bureaucracy; too much planning, as opposed to an agile, flexible, smart, strategic civil service and public service, basically a state that can govern complex processes, understand feedback effects, but especially work well with the private sector to achieve goals. That's what my focus is on: what state capacity we need for that.

It's interesting that the Draghi report doesn't even mention that. It doesn't really mention state capacity in terms of the need to invest in a more able, dynamic civil service. Somehow the report repeated some of the rhetoric that the US is more flexible; it's more agile with more venture capital, forgetting that, without state capacity, you can do nothing.

LA: *There is a lot of an inferiority complex at play here. I wanted to mention a previous involvement of yours in EU policy, when you worked with Commissioner Carlos Moedas and Pascal Lamy to boost the research and innovation capacity of the European Union. And that was quite a few years ago. My question is, do you think the EU is learning fast enough?*

MM: All the work I did with Carlos Moedas, who is now the mayor of Lisbon, stayed in the innovation ministry (DG). It never went to the centre of the Commission. It should have gone into von der Leyen's Green Deal policy. That's where the mission should lie. That's how you do a Green Deal. Instead, it remained within the innovation ministry, which is the DG Research and Innovation, and this also explains why it has so little money today.

I think we had a kind of schizophrenia, where, in terms of innovation, we became smart only within a portfolio. At the centre, however, we didn't. But it's the centre that matters. I always say that any mission – even the work I do in Brazil, where the ecological transition is actually in Lula's office, not in the Department of the Environment.

So the need to bring an inter-ministerial approach from the Department of Environment, the Department of Health, and the Department of Finance is both true at the national level, but also at the European Commission level. Instead, by putting the missions instrument, which I helped to innovate, and to leave it just in the DG, then they lost an opportunity, because I think the Green Deal is impossible to have without the radical change and how government itself functions both between the DGs, but also, within the member states, again, how they think about their own state capacity, which is what we were talking about before.

By focusing solely on the innovation side, it made it seem as though this was just about innovation, as opposed to a change in how we do government. And that change in government requires investment. That's what's missing from the Draghi report: there's no real indication that we need to invest within the state to become more inter-ministerial and effective, nor at the DG level and in the European Commission. If you examine how the Green Deal was designed, it didn't actually foster the conditions that should have been required for all member states when they access funds like the next-generation EU. It should have been conditional that they actually invest in their capacity, as I said before, to implement.

LA: *What do you think is causing the backsliding on the Green Deal? Is it partly due to the fact that it was not emphasised sufficiently that the Green Deal is primarily an investment plan? You just mentioned that you were in Brazil. Is it visible from there that Europe is backsliding on the green policy?*

MM: Well, yes. I mean, the biggest problem for all countries in the Global South is that what Europe has done with the CBAM is hindering development, because there are no provisions for technology transfer and knowledge transfer. So it's just blocking the ability of developing countries to export to Europe if they don't have all those different green conditions.

So, the CBAM treaty somewhat lacks the solidarity element. This is a huge aspect that's discussed in Brazil, as well as in South Africa. In Brazil, the major issue was the so-called Solutions COP.

Solutions COP means there's no point in discussing policy or green deals if we don't invest in practical solutions that are both feasible and dismantle the problematic structures of past solutions. For example, blended finance schemes have been poorly designed. There's very little additionality, very little directionality; there's socialisation of risk, privatisation of rewards.

And what was interesting for me in Brazil last year – at COP, at least – was the focus on understanding why we lack implementation capacity. In Italy, for example, we often end up having to send back the money we receive from European structural funds because we're not going to invest it.

But also, if we do invest in it, how do we know what works, what doesn't? So one of the things that I've been doing, with Brazil is, for example, with the health goals, combining them with the green goals underneath one umbrella called the Health Economy Industrial Complex, where the lessons, in fact, that I was mentioning before from the US military machine, are that they invested, but then they made sure that the soldiers on the battlefield had access to the goods, whereas for the rest of the US economy they invest, but then the people don't have access, right? Similar to the healthcare sector, there is the NIH, which I mentioned earlier, and a relatively weak welfare state. So, as we know, the US is terrible in the rankings of health outcomes. That's also true of many countries in the Global South. People do not have access to the goods, even when the public sector itself is investing, let alone when it's not.

It's interesting that in Brazil, where I've been working, there is a way to bring under one roof the investment side and the demand side, that is also the welfare side. That is, the entrepreneurial state and the welfare state under one roof. What usually happens, however, is entrepreneurship, the Draghi report, biotech, nanotech and AI are discussed in one room. And then, in another room, we find the people who actually care about inequality, poverty and so on. We want an economy that serves people and planet, and to achieve this, we need to define our goals, starting with the SDGs. We need to translate them into actionable targets at the city, regional and national levels. Then we think of an investment plan, which is going to generate solutions for the SDGs, but always with the idea of inclusion at the centre. People must have access to the benefits of, for example, the energy transition and so on. This is what Biden didn't do.

Biden had a whole green plan, but he didn't actually put the distributional effects at the centre. And that's why ultimately he didn't win. Even though, economically, the Inflation Reduction Act had good results, it wasn't designed in a progressive way to ensure that not only the benefits were shared with the more disadvantaged communities but that those communities would feel included. This is where your point of progressive economics is very important. And this is probably one of the things I'm most interested in now. How do we not work at citizens, but with them? How do we recover the dignity they've lost and the value of their lives?

I see this in London, where the increase in crime is directly related, I think, to many young people falling through the cracks, and their own lives having no value. So your life has no value; I can stab you to death easily if a body, my own skin, has a value or not.

And so how do we as progressives care just as much as, you know, investment-led growth, sustainable transition, Green Deal, but bring it down to the ground so that we work with people to design those very missions, even those that I talk about. So I did that in different places, like in Camden – where I live in London – we worked with people in Camden Council, even in the poorest sections, like where there's food banks; we transform the food banks into food cooperatives – green food cooperatives, where people had dignity with the same amount of food they were getting from the food bank.

However, in a food cooperative, they owned the agenda and governed it. Now they just, they had ownership of basically what was still a food bank, but as a cooperative and that sense of dignity, giving people back dignity that they've lost. I think it's one of the most important things of our time. And if we don't do it, it fuels populism, because then someone else comes along and says, "Oh, but I'll listen to you. All those lefties, they just talk in their nice big debates. But we, we are here to help you, and we understand why you don't have a job, and it's because of the African immigrants", or whatever story is told.

And it's interesting, by the way, in Italy, for example: it was the Communist Party that used to have a real presence on the ground; on the streets now was the Lega, or I mean, this was already 20 years ago, the transformation. The communists stopped having their mutual help organisations on every corner. And it became the Lega Nord, which had that.

So the rise of the right both in the US and Brexit Britain, but also the Lega kind of parties in Italy, have in some ways replaced the left on the streets.

LA: *You mentioned before that you were partly inspired by Polányi, specifically in your writing about regulating and shaping markets. The book that you co-edited with Michael Jacobs – I believe the collective also included Stiglitz and others – is not only 'Polányian'. With Stiglitz, there is also a Keynesian tradition, as well as a Schumpeterian one. So, would you encourage the young generation to explore these classics?*

MM: Of course! They're central. But we need to go beyond them, too. Keynes should be considered for all the emphasis on not only countercyclical government but also taking the demand side seriously. As I said, there's no point in having all these policies if you don't also stimulate demand. Minsky for the very important analysis of the financialisation of the economy – this is what I wrote about in my book, *The Value of Everything*. Schumpeter for his emphasis on innovation. My PhD was on Schumpeterian economics.

All these writers are so important. But I think we need to add the analysis of participatory structures, because that's what the youth want. They are not interested in just the "blah, blah, blah" and technocratic solutions, as you mentioned earlier.

So, how do we ensure that we also incorporate the theories of Paolo Ferreira, from Brazil, regarding community participation? How do we learn from the Commons? My new book, which I've just finished and submitted it to Penguin, is called *Common Good Economics*. And a critique of the public good as just being a correction for something the private sector doesn't do.

When you have non-excludable, non-rival areas, we expect the public sector to invest in clean water, defence systems and basic R&D. So that's really a theory of the private; it's not a theory of the public. If the private sector doesn't do something, we expect the public sector to fill the gap. And then the theory of the Commons, as proposed by Elinor Ostrom, is, I think, very important because it brings the analysis to the community level. But it also is sort of in a failure-fixing mode instead of market failure; it talks about government failure.

Good economics requires us to go beyond merely fixing this failure. In the book I talk about all sorts of different theories, and it is also an accumulation of my own work on mission, market shaping and so on.

But common good economics has to be about an objective, not a correction. And where the how we relate to each other, how we co-create, how we participate, how we share rewards, how we share knowledge and learning, is as important as the what we're trying to achieve. And if you look back at political philosophy from Aristotle, but also Sandel today and his critique of Rawls, there has always been as much attention paid to the how as to the what: to the telos, the goal, and to the polis, the political community.

And I ask the economics community: we don't really have an equivalent of that in economics. And so that's what I try to do in this book; it's divided into parts: theory, policy, practice, spaces and places.

And I hope it will be useful to the world.