

A dangerously moderate guide to saving capitalism

A leftist economist's ideas won't wow the Corbynistas, says Philip Collins

Someone should make a musical out of this book. Unlikely, I grant you, but not as unlikely as it sounds. In 1893 the Savoy theatre staged Gilbert and Sullivan's operetta, *Utopia, Limited*. It was a satire on limited liability companies and a lampoon of the 1862 Joint Stock Companies Act. For reasons that elude me it was a flop.

It is time to rework the idea and Mariana Mazzucato is a candidate to write the libretto. She is professor of the economics of innovation at University College London and a writer that the new left likes to point to as evidence that they have brains. In the days when Jeremy Corbyn liked to adorn his movement with a committee of distinguished economic advisers that never met, Mazzucato was one.

Mazzucato has turned her attention to the old and, she says, neglected theory of



The Value of Everything
Making and Taking in the Global Economy
by Mariana Mazzucato

Allen Lane, 384pp; £20

value. Your book-learned leftie recalls the Marxian labour theory of value and settles down for a good, comforting, prejudice-confirming read. That is not what he will get. This is not a book to follow Paul Mason's *PostCapitalism* in envisaging a system of kum-ba-yah loveliness. Predictions of the end of capitalism are as old as capitalism and Mazzucato does not write as its enemy. On the contrary, she is the sort of critical friend it needs.

The central thesis is that something has gone awry with capitalism. Extracting value is rewarded more highly than creating value. It is more rewarding to take, than make. When Mazzucato argues that the colossal modern financial companies are rent-seekers taking out unearned assets from the overall social product, she is not making a point of scary leftist radicalism. That used to be the conventional view, and quite right too. Her criticism of companies that just maximise shareholder value is conventional too. The founder of the modern company was the severe Robert Lowe, a

leader writer on *The Times*, who as vice-president of the Board of Trade, in 1856 oversaw the first Joint Stock Companies Act. Modern capitalism has strayed a long way from Lowe's original model that assumed businesses had responsibilities equal to pursuing profits. Stripped of some of its forbidding economic terminology, this is the story Mazzucato tells.

This distinction between earned and unearned income, between rents and due profits, is also something old under the sun. It was a distinction that Lloyd George sought to embody in his 1909 People's Budget with death duties and land taxes. Likewise, her critique of short-termism echoes just about every speech by every non-banking chief executive for the past decade.

Her solutions are part-voluntary and part-coercive. Companies should behave better but the incentives — in executive pay, tax and regulation — all point in the wrong direction. Government, she says, ought to be less craven in the face of the financial and tech giants. Generally,

though, this is a book longer on analysis and diagnosis than on solutions. All of this is meant as praise, and not faint praise either.

Mazzucato probably makes too much of what she calls the "financialisation" of the economy which, viewed in a more favourable light, is just the ingenious creation of a different kind of value. Though she seeks to correct the notion that the state is inveterately useless, she goes too far in the opposite direction: the state really is slow and cumbersome most of the time. All that said, though, it does bear saying that too many businesses, especially in financial services, have slipped clear of the moorings that tethered them to public obligation.

Every economics writer will have their Will Hutton moment when they wonder whether their book will go as big as *The State We're In*. This is too dense a work to have much hope of crossover. On reflection, that musical may not be such a great idea. But as a companion volume to the next stage of capitalist adaptation, there is a lot of value in it.