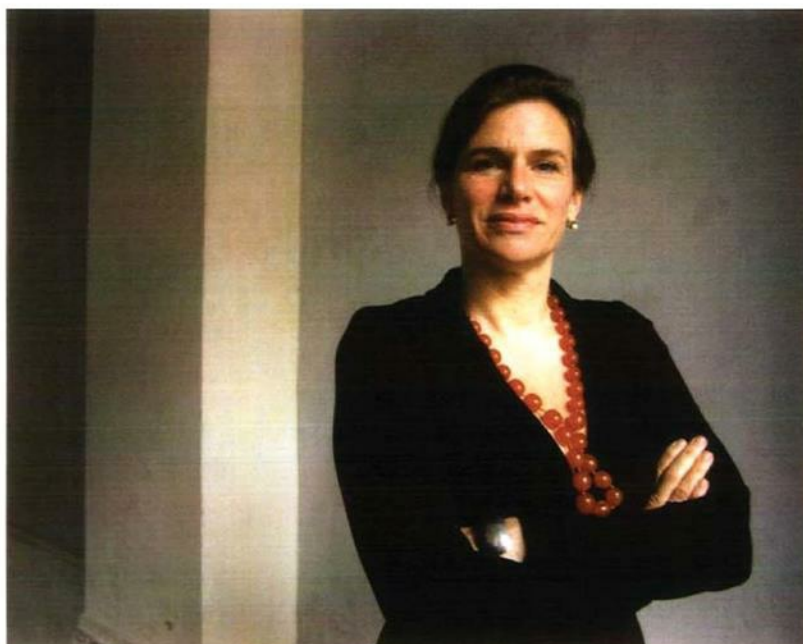




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ENCOUNTER

“Donald Trump is a passing problem, Brexit is not”

Mariana Mazzucato on the true meaning of wealth creation

By George Eaton

Some economists merely interpret the world in various ways; others seek to change it. Mariana Mazzucato is an exemplar of the latter kind. The Italian-American is a restless thinker drawn to transformative, disruptive projects.

When I met Mazzucato, 49, at University College London’s Institute for Innovation and Public Purpose (where she is founding director), she animatedly recounted the panel she had just hosted on the future of space exploration.

Her first book, *The Entrepreneurial State* (2013), charted how governments actively create and shape markets, rather than simply

fixing them. The 12 key technologies behind the iPhone for instance, such as the touch-screen, the Global Positioning System and the internet itself, were all the product of state-funded research.

But Mazzucato later realised that she had neglected a more fundamental question: how is value defined? This debate was once at the centre of economics. Adam Smith, David Ricardo and Karl Marx all subscribed to versions of the labour theory of value (which determined the value of a good or service by the amount of work required to produce it) and distinguished rigorously between earned and unearned income (such as rent from

land). Yet in recent decades this subject has been marginalised. “One of the reasons so much value extraction is happening in the name of value creation is because the concept of value has stopped being debated,” Mazzucato told me.

Her new book, *The Value of Everything: Making and Taking in the Global Economy*, resurrects this dormant discussion (Oscar Wilde defined a cynic as one who knew “the price of everything and the value of nothing”).

Mazzucato’s mission is to overturn the now dominant neoclassical theory of value. In the mid-19th century, she explained, an intellectual revolution occurred: rather

than value determining price, price began to determine value. Until the early 1970s, “most of the financial sector wasn’t actually included in GDP. It was seen as a transfer of existing value, just as social security payments aren’t included in GDP.”

This seemingly abstract debate has had real-world consequences: the financial sector is now indulged by obeisant governments, drug prices bear little relation to medical value, and rent-seeking is conflated repeatedly with wealth creation. How, I asked Mazzucato, should policy reflect a more meaningful conception of value? “Prices should reflect the kind of collective investment that has gone into things like drugs, rather than organisations like [NHS watchdog] Nice in the UK having to come in post facto to get prices down.”

Mazzucato was born in Rome in 1968 and moved to the US at the age of five when her father, Ernesto, became a nuclear fusion physicist at Princeton University in New Jersey. Her mother, Alessandra, taught Italian literature and cooking; one of the guests at her gatherings was John Nash, the Nobel Prize-winning game theorist depicted in the 2001 film *A Beautiful Mind*.

After studying history and international relations at Tufts University, Massachusetts, Mazzucato was drawn to economics through trade unionism. “I realised when I was working as a volunteer that I knew so little about how the economy worked.” She received her Master’s and PhD in economics from the New School in New York and is now one of the profession’s most garlanded members.

Why does she believe the European centre-left is in such precipitous decline?

“The left in general has focused too much on wealth redistribution and not enough on wealth creation,” she replied. By this, Mazzucato does not mean that social

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democrats have been insufficiently deferential to big business.

Rather, she believes they have lacked an economic vision and purpose beyond remedying capitalism's flaws. As an adviser to the European Commission, Mazzucato is seeking to recreate the dynamic public-private interaction – and the spirit of adventure – that led to triumphs such as the moon landings. "I walk into places as an economist and walk out a life coach."

She was also previously a member of shadow chancellor John McDonnell's Economic Advisory Committee, alongside others including Joseph Stiglitz, Thomas Piketty, David Blanchflower and Simon Wren-Lewis. "I was struck that [Jeremy] Corbyn never showed up," Mazzucato recalled, "whereas Nicola Sturgeon, she shows up, I'm still an adviser to her."

Mazzucato told me she resigned from McDonnell's now defunct group because her advice, most notably on Brexit, was not given due consideration. "We didn't feel that our thoughts were heard in a dynamic and constructive way. There was obviously other advice coming to them... I resigned because I didn't think I had a role, we're all very time-stretched." (Mazzucato had four children in five years with her Italian film producer husband, Carlo Cresto-Dina.)

Having returned to Europe from the US in 2000, Mazzucato despaired of Donald Trump, "the first president ever to attack the entrepreneurial state". But she was yet more pessimistic

about Britain's prospects.

The spectre of Brexit, she warned, had persuaded post-doctoral students she knew to take up posts in Germany and Denmark rather than in the UK. "To be completely honest," Mazzucato concluded, "unless we do have world war three, Trump is a passing problem in the US – Brexit is not." ●