**Prof Mariana Mazzucato – 9th December 2011**

The Entrepreneurial State

Abstract:

The talk will challenge the minimalist view of the state that is currently driving UK economic policy, arguing that a far more proactive role is required if innovation led economic growth is a priority. The case is made that the role of the government, in the most successful economies, and in the periods of highest growth, has gone way beyond creating the right infrastructure and setting the rules. It has been a leading agent in achieving the type of innovative breakthroughs that allow companies, and economies, to grow, not just by creating the ‘conditions’ that enable innovation but by proactively creating a strategy around a new high growth area before the potential is understood by the business community (from the internet to nanotechnology), funding the most uncertain phase of the research that the private sector is too risk-averse to engage with, seeking and commissioning further developments, and often even overseeing the commercialisation process. In this sense the State has played an important entrepreneurial role. The talk will be based on *The Entrepreneurial State,* written by Mariana Mazzucato and published by Demos <http://www.demos.co.uk/publications/theentrepreneurialstate>).

Longer abstract

The current debate, in the UK and abroad, on the need to cut back the State in order to unleash the power of entrepreneurship and innovation in the private sector, builds upon a stark contrast that is repeatedly drawn by the media, business, and libertarian politicians: a dynamic, creative competitive private sector versus a sluggish, bureaucratic, inertial, ‘meddling’ public sector. Company heads complain about the State *stifling* innovation; Tea Party politicians call for the State not to *meddle* in areas like healthcare that are more efficiently run by the market; David Cameron calls civil sector workers the “enemies of enterprise”, and editorials in *The Economist* call for the public sector to be reduced to open up opportunities for innovation and competition.

In painting this contrast, it is assumed that the private sector is inherently more innovative, able to think out of the ‘box’ and lead a country towards long-run innovation-led growth. In this view, the retrenchment of the public sector will make thus, inherently, make the economy more productive and achieve higher growth. But many examples in the history of innovation, entrepreneurship and competition in different sectors, and across different countries, paints a very different picture: a *risk taking* innovative State—especially in the most *uncertain* phases of technological development and/or in the most risky sectors—versus a more inertial private sector which only invests (in innovation, in new start-ups, in networks) once the State has absorbed most of the uncertainty.

Examples are plenty. In the pharmaceutical industry it is the State run labs that have been responsible for the discovery of the most radical new important drugs, with private pharma focussed on the less risky variations of existing (‘me too’) drugs. In the USA and Europe, State funding has been responsible for most, if not all, General Purpose Technologies, i.e. those technologies that help achieve economy wide growth (aviation, computers, nuclear energy, internet, nanotechnology). The *biotech revolution* owes its success not to venture capital (as is commonly assumed) but to major inventions within the UK’s Medical Research Council (MRC) and the US’s National Institute of Health (NIH), as well as pro-innovation regulations that have made it easier for these inventions to be commercialised. This has not been just about ‘research’ but about the State having the courage to think about completely new areas of development; delve its resources into uncertain territory; open multiple windows of exploration; fund early stage risky research; create organisations dedicated to funding and supporting new start-ups; and formulating dynamic ‘networks’ between science, business and finance.

In all these cases it was the State that went against the grain, thought ‘out of the box’, risked large amounts of money, and often the private sector that was more wed to the status quo where short run returns are inevitably more secure. In this sense, the State has played a role that goes beyond Keynesian emphasis on taxation, subsidies, spending and regulation and the Schumpeterian emphasis on creating the ‘right conditions’ for innovation and growth. It has played an active *entrepreneurial* role—envisioning new technological opportunities in high growth areas; undertaking the very early risky investments that lay the groundwork for future exploration of these areas; funding new start-ups that commercialize the innovations; and in some cases even bringing the product to market. It has in fact not only solved ‘market failure’ (of which there are many) but more importantly solved ‘network failure’.

Ironically, the State has played this role the strongest in the USA, which is usually described in European policy circles and in the media as one in which the economy is mainly driven by the market, with many European politicians pitching the need to learn from the market-driven Silicon Valley experiment. Silicon Valley was in fact built upon decades of State led vision around the power of the internet, decades of investment in the riskiest research, and decades of nurturing regional innovation systems and new company start-ups---a lesson that is ironically being ignored by the UK and being followed by China. The seminar will consider the policy implications of understanding the ‘entrepreneurial’ risk taking role of the State, in those economies that are currently cutting back the State hoping for a private sector led recovery.

Bio:

Mariana Mazzucato will be joining the University of Sussex in November 2011 as RM Professor of Science and Technology Policy at the University of Sussex. She is currently Professor in the Economics of Innovation at the Open University, where she is Economics Director of the ESRC Centre for Socio-Economic Study of the Genomics (INNOGEN [www.genomicsnetwork.ac.uk/innogen/](http://www.genomicsnetwork.ac.uk/innogen/)) and Coordinator of a European Commission FP7 funded project on Finance, Innovation and Growth (FINNOV [www.finnov-fp7.eu](http://www.finnov-fp7.eu)). Her research focuses on the relationship between technological change and economic growth, at the company and industry level. She also works on the relationship between financial markets, stock price volatility and innovation. The talk is based on Mariana’s recent publication, *The Entrepreneurial State*, published by Demos <http://www.demos.co.uk/publications/theentrepreneurialstate>