



Institute for
Innovation and
Public Purpose

Building back (much) better:

Mission oriented policy and socializing both risks and rewards

Growinpro meeting Dec. 2 2020

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Building back better post Covid19?

- Green New Deal
- Challenge-led growth
 - **Smart** growth (better **innovation**)
 - **Sustainable** growth (more **green**)
 - **Inclusive** growth (less **inequality**)
- Sustainable Development Goals
- Return of 'industrial strategy'



Dysfunctions of modern capitalism

- Financialised finance
- Financialised industry
- Increasing (relative) inequality
- Lame duck government (fixing markets)
- Climate change

Purpose? *Shareholder vs stakeholder maximization*

LARRY FINK'S 2018 LETTER TO CEOS

A Sense of Purpose

"Without a sense of purpose, no company, either public or private, can achieve its full potential. It will ultimately lose the license to operate from key stakeholders. It will succumb to short-term pressures to distribute earnings, and, in the process, sacrifice investments in employee development, innovation, and capital expenditures that are necessary for long-term growth. It will remain exposed to activist campaigns that articulate a clearer goal, even if that goal serves only the shortest and narrowest of objectives. And ultimately, that company will provide subpar returns to the investors who depend on it to finance their retirement, home purchases, or higher education."

The New York Times

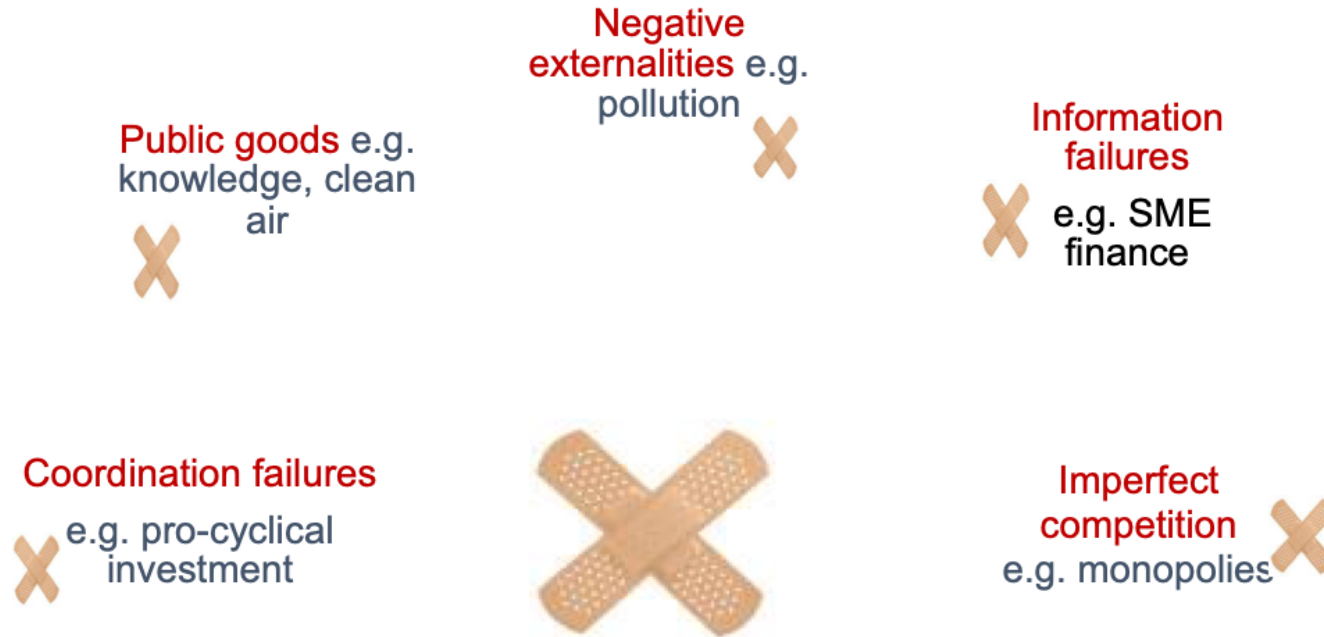
Aug. 19, 2019

Shareholder Value Is No Longer Everything, Top C.E.O.s Say

Chief executives from the Business Roundtable, including the leaders of Apple and JPMorgan Chase, argued that companies must also invest in employees and deliver value to customers.



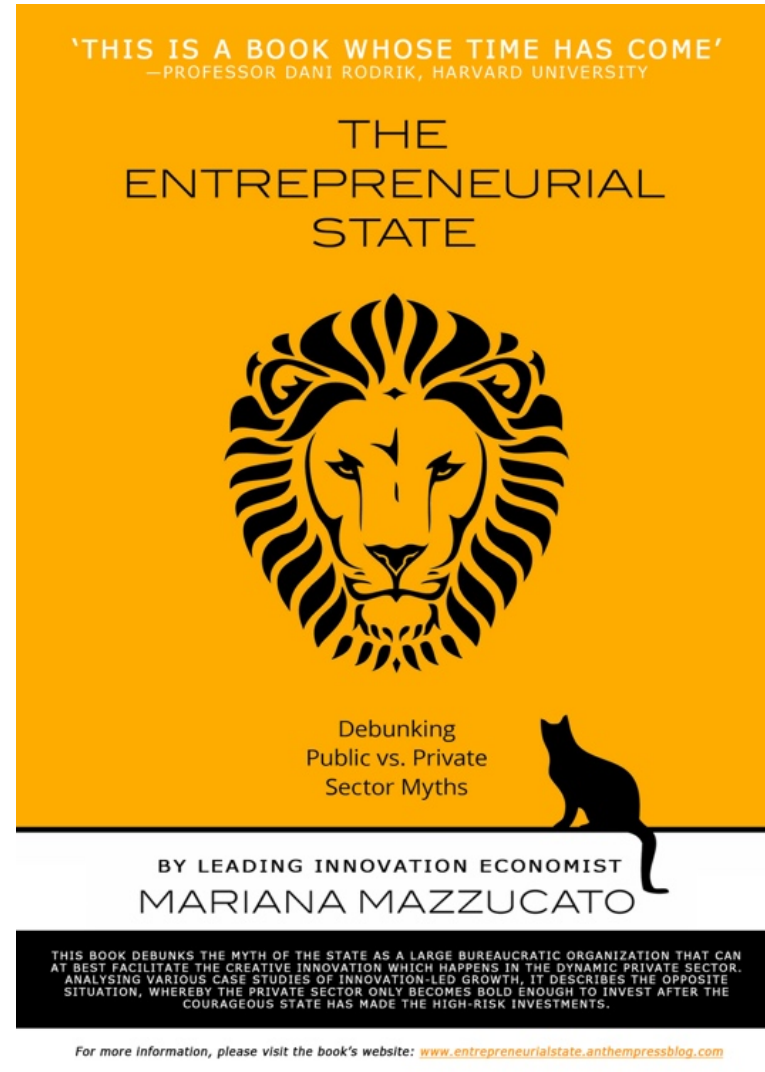
From fixing markets to co-creating/shaping markets



Reality full of “failures”?
(or is the theory failing?)

Market failure policies didn't get us

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



...and certainly won't get us the SDGs

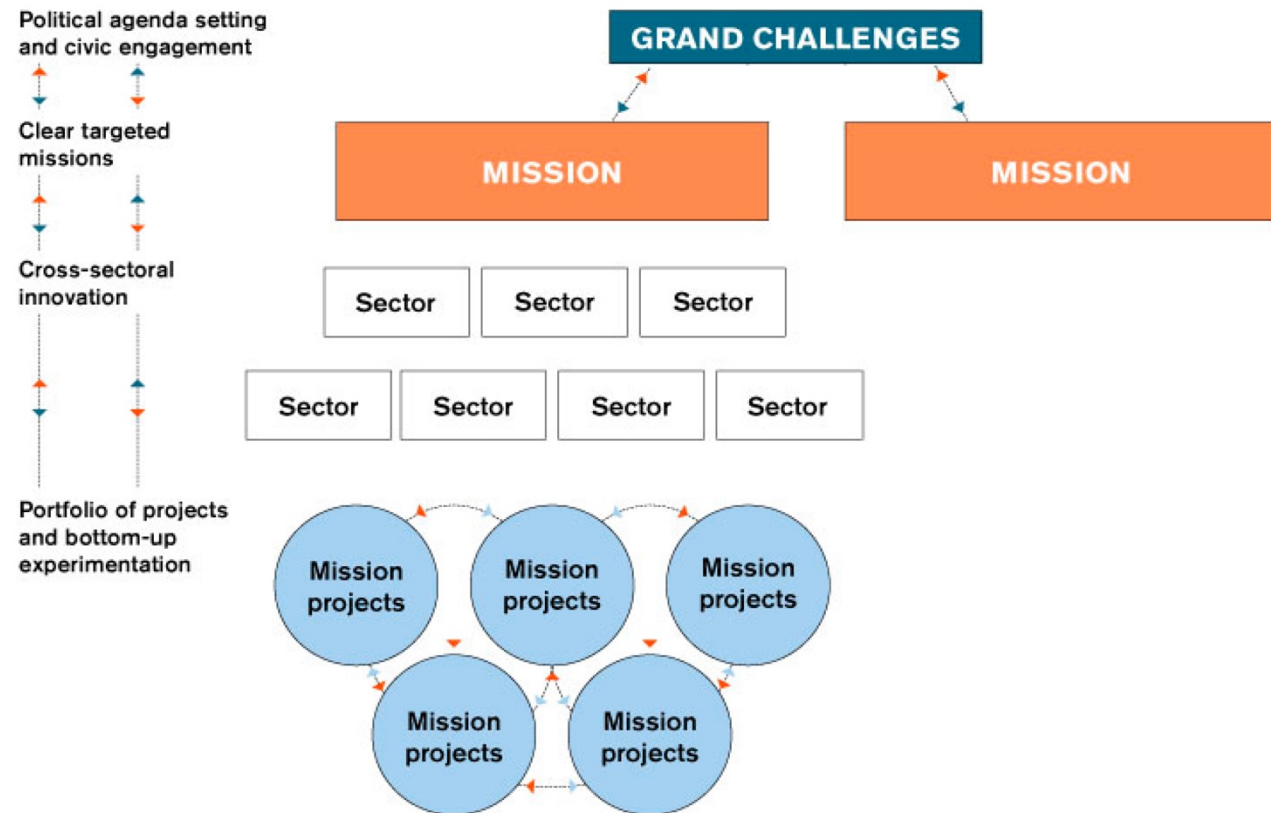




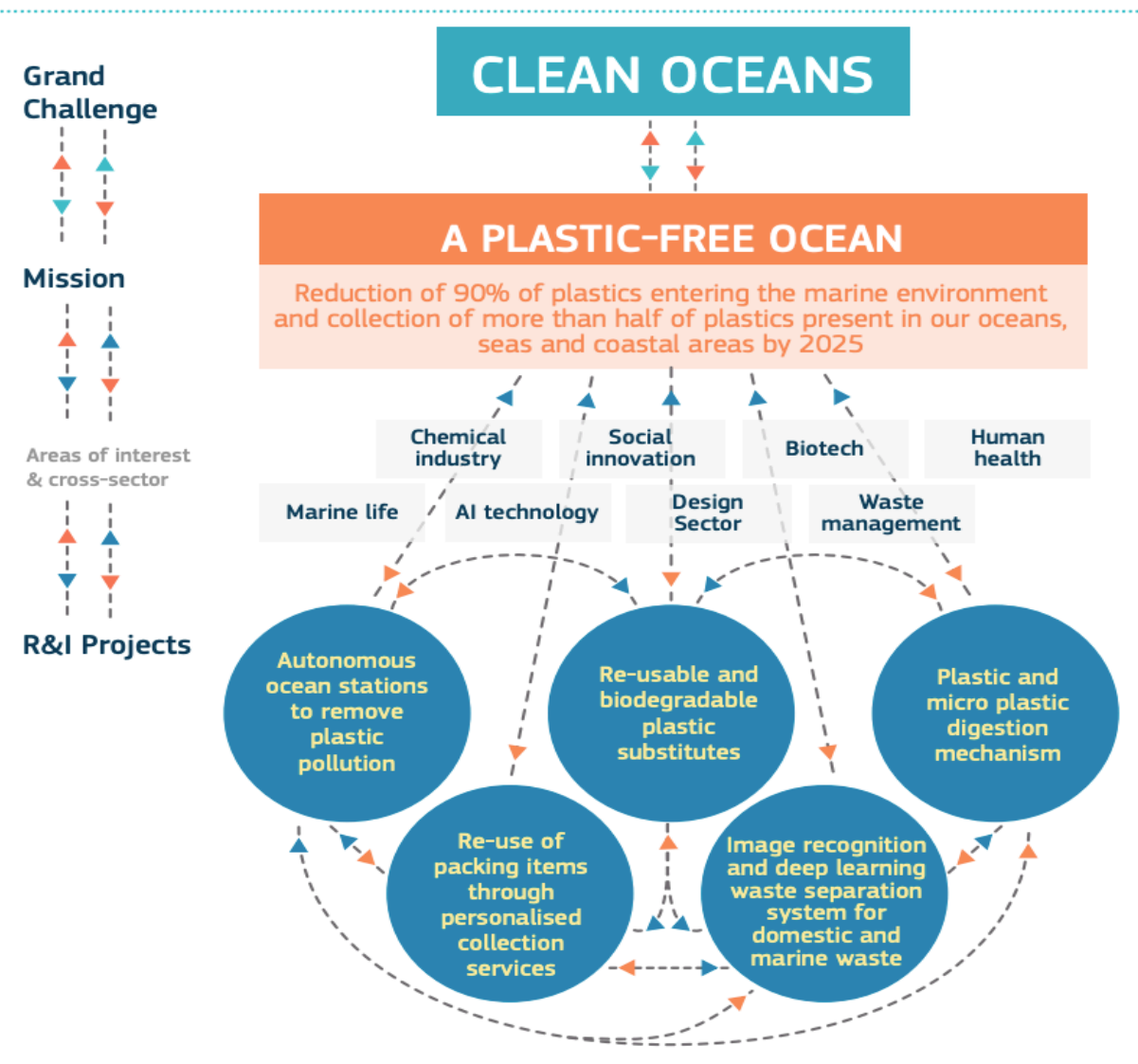
Source: Photo by Joe Belanger, Rich Carey & Worldswildlifewonders / Shutterstock.

An outcomes focus for industrial/innovation strategy: focus on PROBLEMS

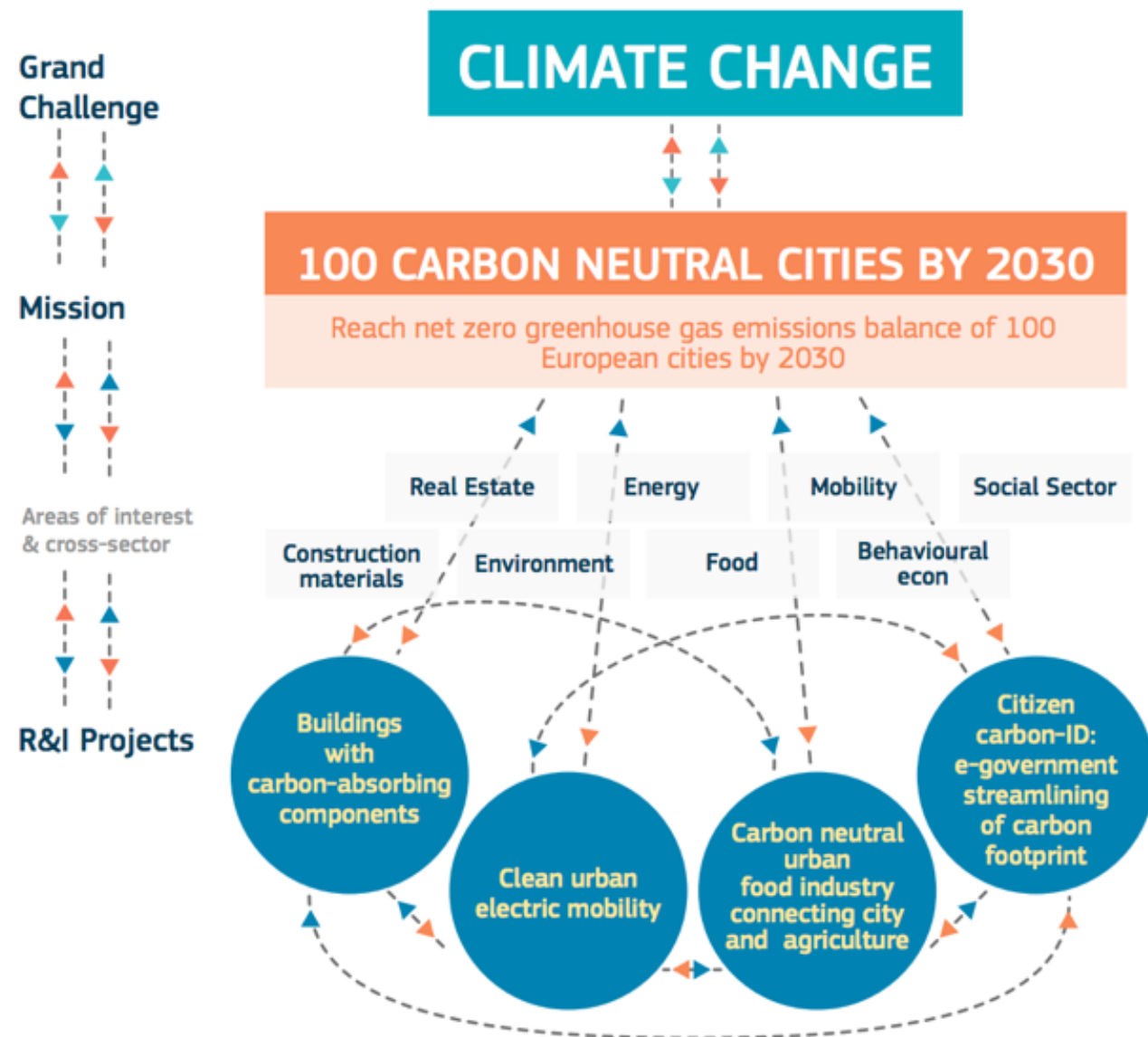
From challenges, to missions, across sectors, bottom up projects



SDG 13



SDG 14



How to *implement* missions

Need State Capacity!

- Selection (who decides?)
- Impact-driven targets / milestones
- Pro-active portfolio management
- Flexibility and adaptability
- Accountability
- Connecting and engaging citizens
- Financing and 'crowding-in'
- Public sector capabilities



Guiding industrial strategy (new approach to verticals)



AI & Data Economy

We will put the UK at the forefront of the artificial intelligence and data revolution



Clean Growth

We will maximise the advantages for UK industry from the global shift to clean growth



Future of Mobility

We will become a world leader in the way people, goods and services move



Ageing Society

We will harness the power of innovation to help meet the needs of an ageing society



A Mission-Oriented UK Industrial Strategy

UCL Commission for Mission-Oriented
Innovation and Industrial Strategy (MOIIS)

May 2019

FUTURE OF MOBILITY

By 2040 to put the UK at the forefront of safe, sustainable, universally accessible travel, creating congestion- and emission-free, zero-accident systems

Tech and digital services

Transport systems

Inclusive design

Robotics and AI

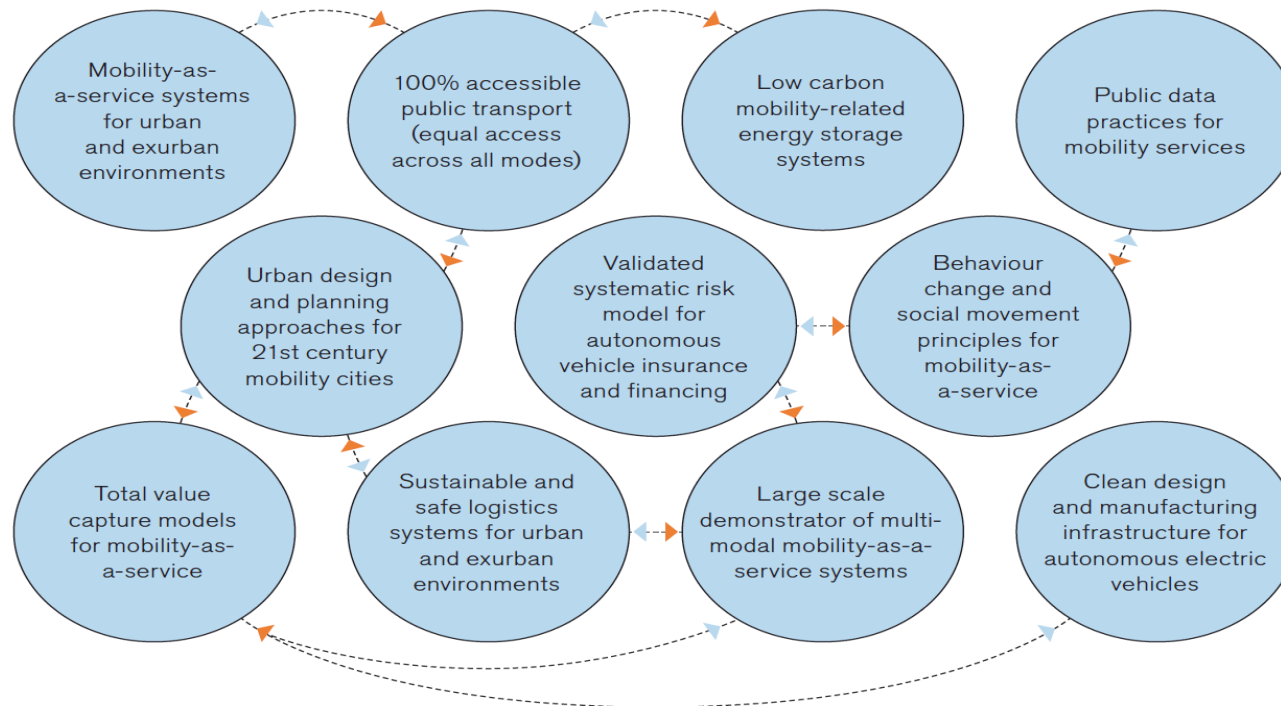
Creative industries

Health and wellbeing

Financial and legal services

Energy and battery infrastructure

Urban planning and design



mission-oriented public banks!

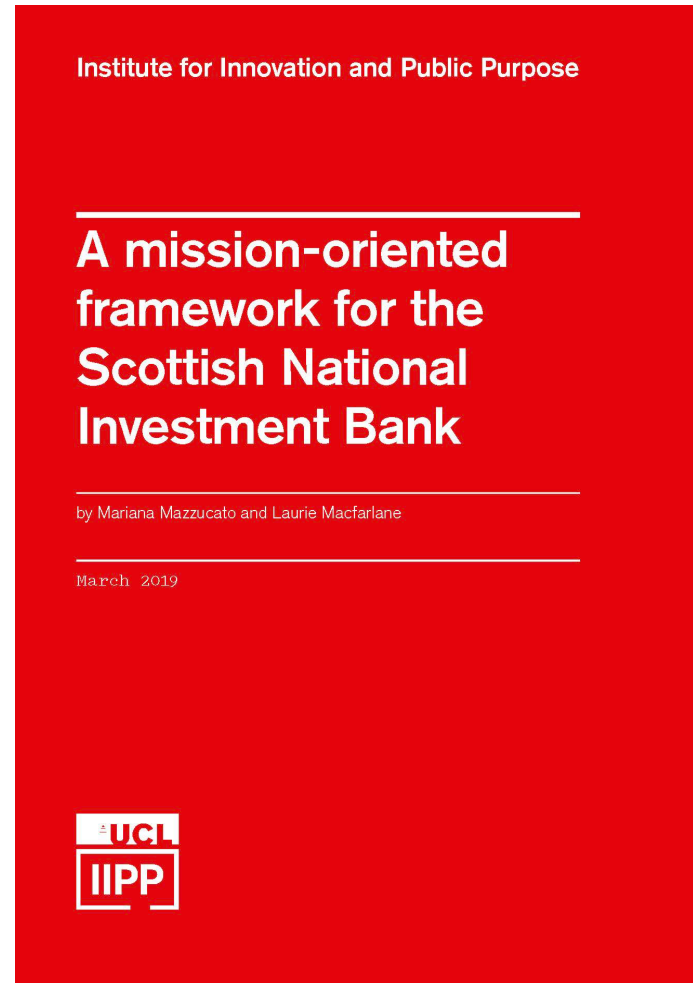
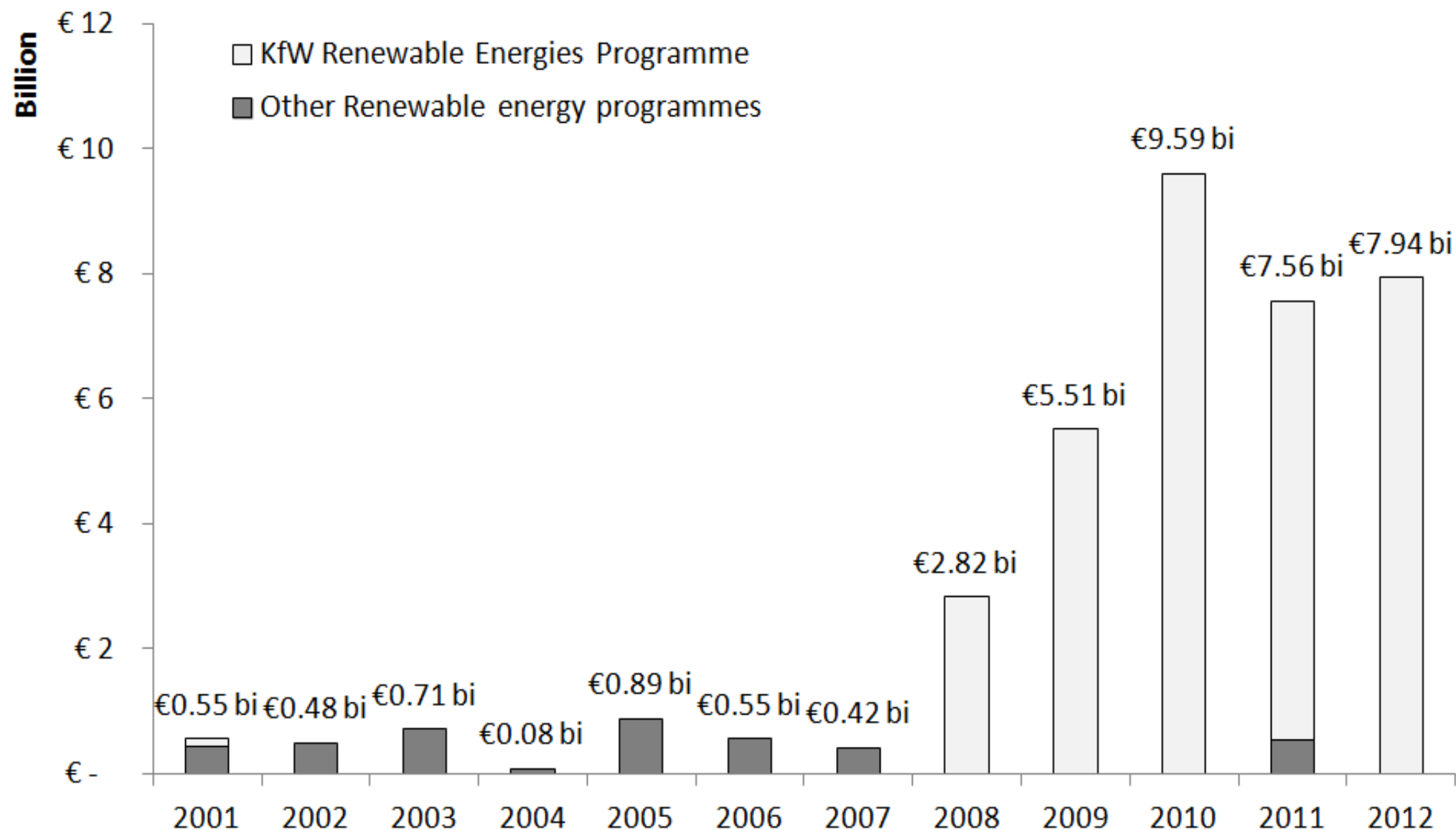


Figure 2: Scotland's National Performance Framework



Source: Scottish Government¹⁴

KfW funding for industrial environmental and climate protection projects in Germany 2001-2012



The European Investment Bank

Patient long term risk finance. Missions take directionality of innovation head on and consider how to govern the process so as to develop dynamic capabilities of public institutions. This means redesigning instruments like grants, loans and procurement policy to fuel bottom-up innovation to target challenge-oriented missions, across a multitude of economic sectors and firm sizes. Missions require patient, long-term finance, willing to take on higher risks for the public interest.



Mazzucato, M. and Mikheeva, O. (2020). The EIB and the new EU missions framework, UCL Institute for Innovation and Public Purpose, IIPP Policy Report (IIPP WP 2020-17). Available at: <https://www.ucl.ac.uk/bartlett/public-purpose/wp2020-17>

Missioni Italia

With Covid-19, Italy faces challenges that require resources, but also a strategy for their investment. With the agreement reached by the European Council, member states of the European Union approved the Next Generation EU (NGEU) programme, a pandemic crisis response plan worth 750 billion euros. Italy will receive 81 billion euros in transfers and 127 billion euros in loans, which will be committed from 2021 and repaid only starting from 2026.

The mission approach provides a strategic tool to present plans to the European Commission and apply nationally. Missions maximise the multiplier and catalytic effects of private investments, acting across multiple sectors. Missions focusing on ecological transition and digital transformation can therefore be adapted to the Italian context.



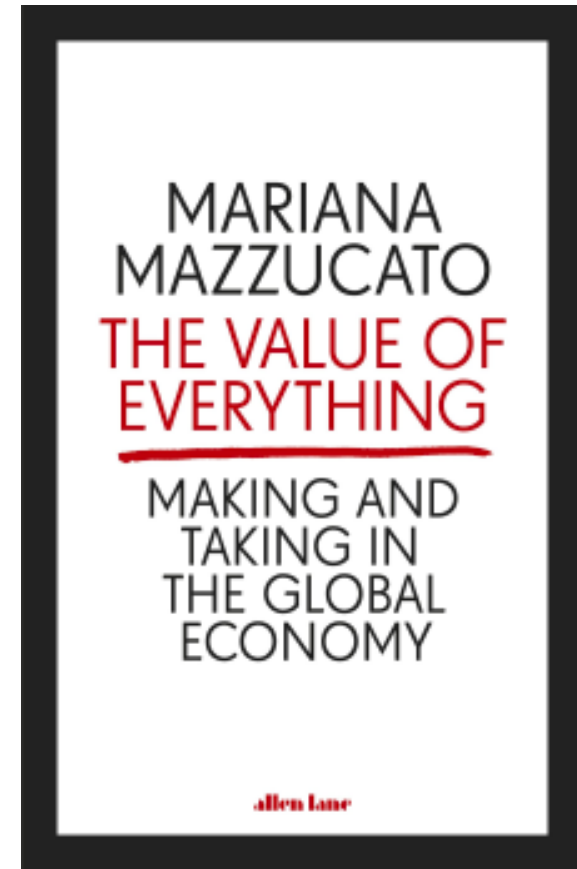
The COVID19 moment

‘Government has the upper hand for the first time in a generation. It must seize the moment to build a new public-private partnership that is symbiotic’

Sharing both risks and rewards

- Reinvesting profits
- Retaining golden share of IPR
- Capping prices (Bayh Dole act allows it)
- Negotiating conditions (generics)
- Income contingent loans
- Equity
- % of payback into an 'innovation fund'
- State investment banks and portfolio methods

(discussed in Mazzucato, 2013;2018)



The COVID19 moment for bold conditionalities

American Airlines, United, and other carriers have agreed to bailout terms with the US Treasury that will avoid layoffs until October

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Scotland bans Covid-19 support to firms based in tax havens

Putting public VALUE at the heart of health innovation

UCL Institute for Innovation and Public Purpose



The people's prescription

Re-imagining health innovation
to deliver public value

October

THE PEOPLE'S VACCINE

Available to all. In all countries. Free of charge.

**STOP
AIDS.**

just TREATMENT

ELIZABETH WARREN

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NEWSROOM / PRESS RELEASES

DECEMBER 18, 2018

Warren, Schakowsky Introduce Bicameral Legislation to Radically Reduce Drug Prices Through Public Manufacturing of Prescription Drugs

Warren, Schakowsky Introduce Bicameral Legislation to Radically Reduce Drug Prices Through Public Manufacturing of Prescription Drugs

would address market failures and increase competition in the generic drug market by establishing new Office of Drug Manufacturing

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Alexandra Ocasio-Cortez takes on greedy drug companies: Taxpayers fund drug research, Big Pharma takes all the profits

Last updated Feb 2, 2019



Photo courtesy of facebook.com/shadirahimi07

How to govern the data commons?

Barcelona, govern digital
de codi obert, àgil i participatiu



A new vocabulary for governments and institutions

~~FIXING MARKETS~~
CO-CREATING
AND SHAPING

~~DE-RISKING~~
WELCOMING
UNCERTAINTY

~~LEVELLING THE~~
~~PLAYING FIELD~~
TILTING TOWARDS
A DIRECTION

~~PICKING WINNERS~~
PICKING THE
WILLING

~~OUTSOURCING~~
CAPACITY
BUILDING

~~COST BENEFIT~~
DYNAMIC
SPILLOVERS

Future framing: ROAR

- **R**outes and directions
- **O**rganisational capacity
- **A**ssessment tools
- **R**isks and rewards



ROAR

Routes

This pillar is about 'directionality'. How to overcome the fear of 'picking winners', focussing the question not on *whether* to 'pick' but on *how* to make strategic choices around societal and technological missions, which can 'tilt' the playing field around transformative change.

Organisations

What are the enablers for the *type of public sector institutions* that welcome the uncertainty — and hence risk-taking — inherent in the innovation process, becoming learning institutions. This pillar is about viewing 'policy as process' and building learning organisations.

Assessment

How to develop new tools to *measure and assess* the dynamic impact of different types of public policies that aim to create markets, not only fix them. This pillar is about building a dynamic approach to the assessment of policies to replace, or at times complement, the more static cost-benefit approaches.

Risk and Reward

How to develop mechanisms so that the public and private sectors share the risks and also the rewards. This pillar is about thinking of ways to allow smart, innovation-led growth to also be inclusive growth.

*Source for The ROAR framework: Mazzucato, M. (2016) "[From Market Fixing to Market-Creating: A new framework for innovation policy](#)", *Industry and Innovation*, and IIPP working paper 2018-01 [Mission-Oriented Innovation Policy: Challenges and Opportunities](#)



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