

## **Green Growth and the Right Kind of Innovation**

**An interview with Mariana Mazzucato, Robbert Bodegraven**

May 26, 2020

Without governments investing more actively we are not going to solve our current problems, whether the climate crisis, growing inequality, or the energy transition. So says Mariana Mazzucato, celebrated economist and adviser to today's top politicians. Governments must tackle these issues with clear, citizen-backed missions. The business community will then step in automatically. Recorded before the COVID-19 crisis, this exchange between Mazzucato and Robbert Bodegraven is today more relevant than ever as economic downturn looms and governments the world over have been forced to step up.

**Robbert Bodegraven:** You've said before that your starting point is your "obligation to make the world a better place". What is needed to do this?

**Mariana Mazzucato:** We want to reform capitalism and achieve sustainable, inclusive growth. The global challenges we are facing – the climate issue, poverty and inequality, social problems such as loneliness and dementia, diseases we cannot yet combat – require innovative solutions. They demand choices which require political courage. I do not believe in a level playing field. We must go further and tilt the playing field.

**A level playing field means that everyone must follow the same rules. Then why do we have to get rid of it?**

The current playing field promotes inequality and does not lead to sustainability. We need to think about new value systems. In Silicon Valley, among the tech-companies, there is a lot of enthusiasm for a universal basic income. Do you know why? Because it does not affect their playing field, their value system. The tech-companies see themselves as the players that add value to society, and they feel that they are therefore entitled to all the revenue. They want to fob off citizens who in their view do not participate in society with a tip, a basic income.

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Tilting the playing field means that we say: all citizens are entitled to a share of the wealth they helped create. Because Silicon Valley could only become rich after the government had laid the foundation for the success of these tech-companies with public money. Who paid for the training of employees in Silicon Valley? The internet and GPS were developed by NASA and the US Ministry of Defense, with government money.

Innovations which solve social problems are always the result of collective efforts. The proceeds now end up unilaterally with a few large companies, but society should also benefit. This requires a whole new playing field.

**In your work, you expose the myth that business is risk bearing and entrepreneurial and that the government is bureaucratic and reactive. Critics blame you for creating a new myth in which the roles of government and business are reversed. Why are they wrong?**

I am not saying that the private sector cannot be innovative. What I do want is to debunk the story that the private sector produces *all* the innovation. That is just not true. Read Steve Jobs' biography. There is not a chapter, not a paragraph, not a line, not a word about public investment behind the development of the iPhone. That does not mean that the people at Apple were not innovative. But by denying that public money enabled innovations such as the iPhone, we run the risk that no new Apples will be born. The whole point is that the DNA of governments is no less enterprising, no less innovative than that of companies.

**Yet many people still see the government as slow and unwieldy. The idea is that if innovations are to come from government policy, it will all take far too long.**

But the role of the government as an investor is therefore much more important than its role of policymaker. The digital revolution was driven by public investment. The internet, GPS: it originated from publicly paid education and publicly funded government institutions. Policy sets the framework – and with investments, the changes are paid for and accelerated. We are now facing the green transition, which again needs government investment. That happens far too little now.

Green innovation needs both the government and the business community, but the innovative power of the public sector is rarely considered. I want to change that, not least for democratic reasons. If no attention is given to the way in which the government stimulates innovations with public money, then there will be no debate about it. After all, not all innovation is good. A great deal of public money goes to the development of weapons. Or look at fracking – the early phase was funded with government money, and Shell is now benefiting from this. Only now that the consequences for the environment become clear does public debate arise. If we are more alert to the way in which the government finances innovation, earlier and more democratic control is possible.

**A government that tries to control and guide can also fail. How do we ensure that government makes the right choices?**

Society as a whole is of fundamental importance for the government's choices. The government does not operate in a vacuum. Major changes often start with a citizens' movement. Just look at the way in which workers' rights were established. They were not implemented because the government initiated them. It started with the labour movement, the trade unions fighting for workers' rights. That put pressure on the government, which then made the right choices.

*The combination of social movements and political leadership encourages change. Then the private sector follows suit.*

But the major changes today require leadership too. First those in social movements; citizens taking action against abuses. Governments that show leadership respond to this. We saw that, for example, in Germany, where the Energiewende [the programme that is to deliver the sustainable energy transition in Germany] was the result of pressure from the green movement in society. Of course, the Energiewende is not perfect, but it is important that it originated at the grassroots, it was not a project begun by Ms Merkel. Now that things are not going as hoped, pressure from a social movement is needed to put the programme back on track. The combination of social

movements and political leadership encourages change. Then the private sector follows suit.

**Can such an approach also work with the big issues we face? For an answer to climate change, the disappearance of biodiversity, the increase in inequality? All of this is much further removed from people's daily reality than workers' rights.**

That is why we should formulate shared missions and bring them close to the people. When my team and I thought about plastic-free oceans, we started with the UN Sustainable Development Goals. We have made those goals – no hunger, no poverty, gender equality, clean oceans – smaller. If we say that we want 90 per cent less plastic in the oceans, that requires international cooperation and an industrial approach. But if we ask ourselves what that mission means for London or Amsterdam, we are talking about clean canals and the prevention of pollution that people suffer from in their daily lives. Then people get the feeling that they can fight for something instead of just opposing things.

**What should a left-wing government do to stimulate innovation?**

The same as a right-wing government: start from the social problems in society at large. What do we want to change? To determine that, many different people must be heard. This cannot be achieved without deepening democracy and amplifying citizens' voices. Only then will we achieve missions that are widely supported.

The government must then put mission-orientated innovations in motion, by long-term investments in risky research whose results are uncertain. If private investors see that it is funded with public money for the long term, they will be persuaded to join.

In addition to direct investments, the government can also steer procurement policy in the right direction. Small innovative companies wanting to grow are often too small for large private investments. The government can help them by buying from them. In their early years, with its targeted purchasing policy, the US government allowed Compaq, Intell, and Apple to grow to a size where they became interesting for private money.

**Government investments must be paid for, among other things, by tax money. What adjustments are needed there?**

A combination of measures that encourage both green and long-term investments. I am thinking first of all of taxing the things that we want less of – that is, manufactured goods instead of a tax on labour. Subsequently, taxes on short-term investments must be higher than those on long-term investments. Make corporation tax dependent on the duration of the investments. For example, the tax on profit becomes zero if you secure the investment for 20 years. And for those who withdraw the investment after a week, the tax should be 100 per cent. Tax capital flows. And then of course introduce a more progressive income tax, which reduces inequality. Many countries do this already, fortunately.

**Your proposals are about sustainable growth. Some say sustainability and growth do not go together: we must shrink the economy.**

I fundamentally disagree with that. When I talk about sustainable and inclusive growth, I am talking about innovation rather than consumption-driven growth. The latter is what we have now and that is not sustainable.

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*produce less stuff and undertake more activities that  
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The zero-growth agenda, I call that the agenda of the *bobos*, the *bourgeois bohème* [a French term similar to “champagne socialists”]. They do not really want to change; they defend their interests within the parameters of the existing system. But if you are really worried about planetary boundaries then you must ask yourself: where do we want to grow or shrink? Do we want more stuff, more cars, more consumer goods? Or do we want a more caring society? The latter will lead to growth, there will be new jobs. Or do we want to use our stuff more sustainably? In that case we have to buy less and recycle. That requires investments leading to growth. These missions require different ways of production, distribution, and consumption, but do not necessarily lead to less growth.

The strange thing is that we see this kind of growth mainly as a kind of charity; we do not take it very seriously. We recycle, but we do not yet see the power of the new systems. The question is not: more or less growth? The question is: how do we use people’s skills in such a way that they produce less stuff and undertake more activities that genuinely improve our lives? The latter is also growth. It is just a very different type of growth to that which we know today.

**So, the zero-growth economists have a wrong idea of growth?**

Yes. They look at growth as we know it. Then it is very easy to say no to growth. But where does that take us? No growth, no manufacturing goods: that does not get us a sustainable, inclusive society. They do not understand that other ways of growth are possible. The current growth is, of course, not sustainable. Neither is the switch to electric cars. It is still a car – the thing needs to be manufactured.

But what is wrong with growth if you start from a mission like 100 per cent green, accessible, modern transport? It leads to fewer cars, more dynamic forms of transport, cleaner air. Growth to me is about transforming the welfare state, energy, the healthcare system, education, transport, how cities are developed and designed. All of these things can be inclusive and sustainable.

**How does the Green New Deal differ from the public value-orientated innovation that you are researching and recommending?**

I think the Green New Deal should be a major programme that gives the economy a new direction. It changes both the demand and the supply side, and it covers all sectors and all actors: the public sector, private sector, civil society, and citizens. It goes much further than just financing renewable energy. The production of goods and services, their distribution, and our consumption are currently still “brown”. To make them greener, companies must change their business models, government must use a different organisational model, the interaction between government and business must change, the way in which citizens engage in this process must become much more active, and the way we consume must change. Companies will never do this by themselves. Government should tell them that they will get no form of government support unless they are willing to produce sustainably. But our view of wellbeing must change radically as well. If we succeed in convincing people that their lives will improve through a green transition, the willingness to change arises. That is my Green New Deal.

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Robbert Bodegraven is director of the Dutch [GreenLeft Research Desk](#).

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