

UNDERSTANDING THE MAZZUCATO MANIFESTO

Treasurer Jim Chalmers is influenced by the work of this fast-talking professor who wants politicians to reimagine their role in the economy, writes Hans van Leeuwen.



MARIANA MAZZUCATO | ECONOMIST

In late January, Treasurer Jim Chalmers captured the attention of Australia's wonkerati with an essay in *The Monthly* that set out his economic stall – the core principles underpinning his policy vision. This manifesto quoted approvingly from the work of the influential globe-trotting economist Mariana Mazzucato.

A few weeks later, the pair had what Mazzucato says was “a nice chat”. It seems, then, that he was luckier than me at prising open a window in her heavily booked schedule.

Since her work looks likely to power the policy settings of the Albanese government, the AFR was hoping to unpack London-based Mazzucato's thinking for our readers. It's a dense corpus, laid out across half a dozen books; so we concluded that the most digestible way to do this would be over lunch.

My overture, a few days after Chalmers' essay came out, was quickly accepted. But wait: the first date she was available was in early May – a full three months away. We pencilled it in anyway. A few weeks later, though, it turned out she'd be in Kenya for the UN then, and the earliest possible slot was at the end of June.

As the day eventually approached, her “exceptionally busy” team still hadn't managed to propose a venue. With days to go and options dwindling, we finally settled on Burr & Co, a modest cafe in Bloomsbury, close to her Institute for Innovation and Public Purpose, at University College London. But she could spare only an hour.

This is evidently a woman with a bit on her plate. She manages an institute with 60 staff, and a personal team of eight. She works as a consigliere to politicians and governments in Britain, Europe, the US, Latin America and beyond. She knocks out a book every couple of years, along with reams of journal articles and newspaper columns. She is on the conference circuit, she gives TED talks, and she appears at Davos. And that evening she was throwing a surprise 60th birthday party for her film producer husband, Carlo Cresto-Dina, with whom she has four children.

“I never have lunch. I mean this kind of lunch. I have a sandwich from Pret a Manger,” she tells me as we sit down.

For someone who doesn't lunch, she seems pretty good at it. She is animated and engaged. Her soliloquies on economics and politics are wide-ranging and rapid-fire – often including digressions, and even digressions within those digressions – but she leavens this with anecdotes, jokes and personal asides.

She ends up sticking around for almost an hour-and-a-half, and by the end I feel almost like I've caught up with a friend, rather than with an interview subject whom I've met only once before. Even before we get to her ideas, her charisma alone makes it easy to see why she gets such regular and intimate access to the corridors of power.

But it's the ideas that matter to her, and

our conversation veers from Karl Marx to Elon Musk, and from vaccine development to multilateral development banks, at near breathless pace.

Food barely gets a look-in. She scans the menu for no more than a brisk half-minute, then orders a Caesar salad and a Diet Coke. I go for shakshuka, the Middle Eastern dish of baked eggs that has lately become as ubiquitous at London cafes as the Aussie-origin smashed avocado on sourdough.

We are both having a bit too hectic a day to indulge in anything alcoholic. Besides, she still carries the scars from a lunch with the *Financial Times* almost a decade ago when she unwittingly ordered a very fancy glass of wine and the £40 price tag found its way into the article. “All the commentary was like, ‘champagne socialist’, she talks about the workers but then orders a £40 glass of wine,” she laughs – or grimaces.

The ‘champagne’ bit she might be OK with. Mazzucato makes no pretence of being anything other than elite – a 55-year-old academic is inevitably at the top end of upper middle class.

Born in Rome, Mazzucato spent most of her childhood in the US, after her physicist father took a job at Princeton University.

She does seem to avoid, or at least dance around, being labelled a “socialist”, or even applying the labels “left” and “right”.

“It doesn't matter whether I like or do not like socialism. The point is, there are different ways of doing capitalism. And we have a very problematic way of doing it in most parts of the world,” she says.

Mazzucato's basic idea, or one of them, is that the private sector does not have a monopoly on innovation or dynamism, but the public sector is struggling to get a look-in. Most government bureaucracies are too enfeebled, or else locked into misguided policy paradigms. This stops the state from playing an enabling role in unlocking inclusive, sustainable value and growth.

The role of the state is not to correct market failure, she says. Its proper role is to work with the private sector to develop or shape markets, so that the economy rewards all players for their contribution.

At the moment, she says, markets too often permit the private sector to cream off rewards while leaving the public sector, the taxpayer, to carry much of the risk. The owners of capital harvest economic value that is at least partly created by workers' effort and taxpayers' money.

This stuff can get pretty dense and abstract pretty quickly. But Mazzucato has a knack for a soundbite, or a simple way of putting things. “Growth has a direction, not just a rate,” she might say. Industrial strategy “is about picking the willing, not picking the winners”. “We are looking for outcomes, not outputs.”

This is a trait that must also endear her to harassed policymakers, who seldom have time to hear out an academic treatise. And it's one of the secrets to Mazzucato's success: she doesn't want to issue research papers or books into the void, she wants to drive change in the way governments operate.



The ideas and work of Mariana Mazzucato inspire Treasurer Jim Chalmers. PHOTOS: DOMENICO PUGLIESE

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She wants public servants to write better procurement contracts; to invest or allocate resources more cleverly; to implement policy more capably.

“I often say that I walk in as an economist, and I walk out as a life coach to civil servants,” she says.

“Because my message is actually I think, quite positive: you've got agency, use it.”

She does not see a government's primary job as redistributing wealth or value. Instead, they should be “regulating, enabling, de-risking, being the lender of last resort, the investor of first resort”. She stops, and laughs. “All the words we use for policy are incredibly boring, aren't they?”

Our lunch arrives. “Wow, that was quick,” Mazzucato says. “Yours looks good. Yours is like breakfast,” she says. True. Maybe I got carried away with the idea of not doing lunch.

Mazzucato brings up the well-rehearsed example of Tesla. The US government had 3 million Tesla shares when it advanced a crucial loan to the company, but forfeited them when Tesla repaid the debt early.

“The government did so much, and the citizens didn't benefit. What should have happened with Tesla was that instead of saying, ‘If you don't pay back the loan we get 3 million shares in your company’, it should have been, ‘If you do pay back the loan and you're successful, we get 3 million shares,’” she says.

In Europe, she contrasts the collaborative model through which the government, Oxford University and AstraZeneca developed their COVID-19 vaccine, versus the hands-off approach to the Pfizer-BioNTech effort.

The Pfizer model was just come in and make a vaccine and make billions and use most of that for share buybacks,” she says.

Mazzucato says her favoured approach leads to a “symbiotic” relationship between the public and private sectors, rather than a “parasitic” one – reflecting her preference for economic theory that draws on biology

rather than Newtonian physics. The question we come back to several times, though, is whether this symbiosis is a relationship of equals. Can underpaid bureaucrats really compete with the highly remunerated cream of the financial crop?

She says paying public servants more wouldn't solve this problem. “You don't want to just bring in people from private equity into government unless they care. You want to bring in that expertise but you need that sense of public service,” she says.

Her most recent book, *The Big Con*, was about how the problem of a financially or paradigmatically hobbled state leads to a dependence on external consultants, who lack the right policy skills and frameworks. She is adamant the expertise has to come from within.

“The biggest challenge we have now is that the state is back spending a lot of money, but if you don't have the administrative capacity on the ground, the money doesn't land, and isn't spent well,” she says.

Our lunch has been cleared away, and I'm sipping a flat white while she tackles a chai latte. I wonder if she's going to find time for the long trek out to Australia, to rev up Chalmers and his team in person.

She's hopeful she will, and says she won't be preaching to him, but listening. “I would love to learn more about what challenges they're facing,” she says.

She has ideas that she says might improve Australian industrial strategy and procurement processes. She's also interested in how to unlock value further up value chains, rather than just back a single sector. “For me, it's never about romanticising the state. It's about putting the pressure on the state to be strategic, mission-oriented, catalytic, getting all sectors of the economy to work together toward something, versus just handing out money, subsidies, guarantees.”

Her next meeting beckons. It's an administrative meeting at the institute, and looks set to swallow up a fair chunk of the afternoon. She says she's struggling to find time to write her next book, on “the political economy of the common good”.

“I have no time for it at all. So I end up writing it on holiday,” she says. Let Chalmers be warned: it's clear that rewriting the state is more than a full-time job. But she reckons it's worth it.

“It's like a never-ending battle,” she says. “But I wouldn't be doing what I'm doing if I didn't think it was going somewhere.”

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Kimpton Fitzroy
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Chicken salad, £14
Shakshuka, £13
Diet Coke, £4.25
Flat white, £4.75
Chai latte, £4
Total, £40 (\$76)