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Research Report

Laudatory Speech for Prof. Mariana Mazzucato, the 2021 Green Budget Germany-Adam-Smith-Prize Laureate

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Achim Truger

***Laudatory Speech for
Prof. Mariana Mazzucato,
the 2021 Green Budget
Germany-Adam-Smith-
Prize Laureate***

Prof. Dr. Achim Truger

**Laudatory Speech for Prof. Mariana Mazzucato,
the 2021 Green Budget Germany-Adam-Smith-Prize
Laureate**

Berlin, 7 October 2021

Dear Chairman Kai Schlegelmilch, dear Professor
Mazzucato, ladies and gentlemen, dear friends of Green
Budget Germany,

it is an honour and a pleasure for me to deliver this laudatory
speech today here at Green Budget Germany's conference,
for an eminent laureate, Professor Mariana Mazzucato from
the University College London.

Introduction

First of all dear Kai, let me thank you very much for the
invitation to give this short speech! We have known each
other for 28 years now, since 1993. That was actually one

year before Green Budget Germany was founded. At the time you were a pioneer in the development of an ecological tax reform, an approach that I soon came to embrace and that I still embrace today. I have closely watched Green Budget Germany develop and prosper, and I am very glad that we had the pleasure to cooperate on many occasions. Only last year, we, i.e. Green Budget Germany and our Institute of Socio-economics at the university of Duisburg-Essen, co-authored a study for the German federal ministry of the environment on how to integrate social and environmental goals into the government's economic recovery package.

Just as a short note: While the package adopted by the government still had some deficits, it avoided some obvious mistakes. For example there are no purchase subsidies for cars with a conventional combustion engine in the package. Instead the package even includes a well-funded chapter on "future investments" in the hydrogen economy.

Economics before the financial crisis as the dismal science

But now, dear Mariana Mazzucato, let me turn to the important but, virtually impossible task of explaining – in what’s left of my ten minutes – all your brilliant achievements and why you so very much deserve to be awarded the Adam-Smith-Prize!

Although it’s impossible, I’ll try my very best and I think the best way to start is by looking back at the state of economics and economic policy advice before the global financial and economic crisis in 2008: Back then, in my view, economics – or at least the dominant economic policy prescriptions derived from economics – used to be in a very dissatisfactory state mainly for three reasons:

1. Economics used to put very much (unjustified) trust into unregulated free markets and their capability of solving most economic problems.
2. Correspondingly, government allegedly incapable of finding solutions to economic and social problems was

looked at with deep distrust. Deregulation, privatisation, dismantling the welfare state and actively reducing the government's ability to act and react were in the focus of economic policy advice.

3. The whole attitude of economists concerning the possibility of democratically finding political answers to society's problems, became a pessimistic one. Many economists seemed to serve as guardians of free market principles and the whole attitude was that of warning politicians or the public that certain red lines must not be crossed, because that would lead to disaster: The dismal science, once again, economists destructively telling politicians and the public mostly what must not and cannot be done, instead of what can be done to solve the big problems of society!

By the way, that view of economics was particularly widespread in Germany with its strong ordoliberal tradition. I am afraid, the German Council of Economic Experts was no exception to this, even quite some years after the Great

Recession until only a very few years ago. (It's easy for me to say so, because I was not a member at the time....).

Mariana Mazzucato's challenge to the dismal science

Of course this dismal dominant view of economics was challenged and shaken by the 2008 financial crisis. And for me, dear Mariana Mazzucato, your overarching contribution and achievement was to intellectually challenge all three of the dominant propositions. You did so in your rigorous academic articles, but also in your by now famous books, „The Entrepreneurial State“, „The Value of Everything“, and most recently „Mission Economy – a Moonshot Guide to Changing Capitalism“.

In what follows I change a little the order of appearance:

First, in „The value of everything“ you challenge exactly the free market beliefs and argue that the 2008 financial crisis was a consequence of the failure of economic thinking and policy responses based on that thinking. According to your analysis the reasons for that are to be found in the

financialization of the economy, a focus on maximizing short-term profits (instead of addressing long-term challenges) and a conviction that the public sector is slow, in constant danger of picking the “wrong winners”, incapable of being truly productive and wasting taxpayers’ money.

Accordingly governments are to leave markets and economic actors alone as much as possible. As a result, you argue, much of the financial support measures in the crisis remained within the finance, insurance and real estate sectors and was not turned into real economy investments in innovative companies, in public infrastructures or the retrofitting of buildings, etc. With a view to the deplorable state of some of Germany’s public infrastructure I think, you are quite right with this analysis!

Second, rather than “just” adding a few more public sector investments and fixing market failure as envisioned by much of hitherto dominant economics, you argue for an entirely different view of what the state can and should do. In addition to redistribution, fixing environmental externalities

and providing a level playing field for private sector competition, you argue that the state should do exactly what many others argue against. In „The Entrepreneurial State“ you show that government can be and has been a tremendous force in taking risk and advancing technological innovation and creating wealth in turn. You point out that many of the most fundamental technological innovations in recent decades – from the internet, GPS, to touchscreens, modern batteries – have been the result of publicly funded research and turned into marketable products by private companies – such as the smartphones most of us carry in our pockets.

Dear Mariana, you warn that simply repeating stories of failed public investment and limiting the government’s role to fixing market failure, addressing inequality and funding basic research will lead to a self-fulfilling prophecy in which the government cannot create value and relies largely on the private sector for everything else. Therefore, in order to play a more active role, the government needs to build capabilities and not just “leave” value creation to private actors.

According to your view, it is not about replacing private actors as forces of innovation, but about shaping markets by defining bold missions and creating a new form of collaboration between public and private actors.

Therefore, thirdly, your approach to economics is constructive and optimistic: The mission approach is your answer to the multiple economic, social and ecological crises, that you turn to in „Mission Economy“: There you argue that a rethinking of the role of government and private actors is required so as to design markets in a way that private actors can solve pressing societal problems. Governments need to set ambitious goals, mobilize actors and resources to develop solutions for missions such as climate protection or the clean-up of our oceans. In that, you insist that it is not just about leveling the playing field, but about actively tilting it to reward the innovating companies. One important feature of your understanding of a mission that should be underlined is expressed when you say: “missions must be inspirational” and not just mobilize investment, but also the citizens.

Dear Mariana, your analysis and arguments have made you world-famous and influential. Your mission approach to solving the big problems of society has even made it into the German Social Democratic Party's manifesto for the recent federal elections. Therefore it is not unlikely that the future German chancellor will actually endorse your mission approach to innovation and economic policy!

Somewhat ironically, I would like to add, that it's maybe an even greater achievement, that your mission approach has finally made it into the German Council of Economic Expert's annual reports: First as a potential way of approaching industrial policy and second and more importantly as a way to understand and direct the socio-ecological transformation by carbon pricing in combination with R&D, infrastructure investment and targeted support.

Conclusion

And that latter application to the ecological challenge of course provides the link of your thinking to Green Budget Germany and the prize you have been awarded.

Your recent book includes a whole sub-chapter on „Mission: a Green New Deal“ and in an article published in March 2021, you pointed out that our societies are currently facing a triple crisis – a pandemic, and an economic crisis against the backdrop of the climate crisis, which is in fact a planetary crisis that also entails the loss of biodiversity and the stability of many of our ecosystems. You suggested that the model for a sustainable capitalism needed to change as the mode of solving problems in one area was creating new problems in others. This question – how to find a sustainable form of a market-economy – in German an “ökologisch-soziale Marktwirtschaft” is at the heart what FÖS / Green Budget Germany has been working for ever since its founding more than 25 years ago.

Dear Mariana Mazzucato, very cordial congratulations on the
Adam-Smith-Prize by Green Budget Germany!

And now I am very much looking forward to your response
and our discussion afterwards!



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