

Mariana Mazzucato
The Entrepreneurial State — Debunking Public vs. Private Sector Myths
Anthem Press, 2013
ISBN: 9780857282521

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If you have time to read only one economics book this year pick this one. Mazzucato's book has the potential to completely change public discourse, sentiment and views of where the foundation for wealth and prosperity lies because she challenges and refutes the dominant market liberal ideas about the origins of innovation and growth and about the proper relationship between private and public investment. Her goal is to overcome the misperception of policy makers based on Austrian and Chicago school myths of 'free' markets, the merits of private enterprise and the evils of government intervention. These myths touted by the *Economist* referring to government as a 'Hobbesian Leviathan' dangerously diminish the important and necessary role of the state to envision and finance future technological development, take on immense risks and uncertainty and to create the dynamism and markets indispensable for radical and revolutionary change. Mazzucato has taken on the discursive challenge to paint a different, more realistic picture of the state as the mother of invention.

The book starts from a theoretical mix derived from the three best analytical minds of the first half of the twentieth century. The basis is Karl Polanyi's argument that the true historical origin of free markets was enormous and continuous organized and controlled state interventionism and propaganda. This is combined with Keynes's view that economic crisis can only be overcome by fiscal spending. Linked to Schumpeter's ideas, the strong financing, visionary and directing role of government is, however, not arbitrary, but needs to focus on investment in innovation. This general notion of the Entrepreneurial State is supported by carefully chosen and collected empirical case studies of innovation. Be it computer and information technology, pharmaceuticals and biotechnology or green energy (wind and solar power), in all her case studies Mazzucato compiles evidence to show that at least since the end of the second world war states and not private (venture) capitalists in Europe, North America and Asia take on the real uncertainty and bear the enormous costs of invention. Government agencies not only broker cooperative relationships between public universities, state funded research institutes and private companies to foster radical innovation (creating National Systems of Innovation), but also usually set the agenda or vision for our technological future, provide the bulk of the financial funding including commercialisation and create the markets to make the new products profitable.

The i-phone and i-pad case study in the middle of the book provides probably the strongest rhetorical impact to prove her point. In the public eye, Apple's founder and former CEO Steve Jobs is seen as the quintessential archetype of a successful, hype Silicon Valley entrepreneur. But as Mazzucato demonstrates, from the internet, to the GPS, to the chips, to the touch-screen displays and to the batteries: 'the core technologies embedded in Apple's innovative products are in fact the result of decades of federal support for innovation' (p. 88). The government and not Apple do develop new technologies and components, whilst the company recognises their potential and integrates them into innovative design architectures. Moreover, 'Apple received enormous direct and/or indirect government support' (p.93) in the form of direct equity investment and supportive tax, trade or technology policies.

At the end of her book, Mazzucato advocates a policy shift away from socialisation of risks and losses and privatisation of rewards toward a framework that must include redistributive tools to justify risks and losses taken by the state and to replenish the innovation funds for the next round.

Jeremy Adelman

Worldly Philosopher — The Odyssey of Albert O. Hirschman

Princeton University Press, 2013

ISBN: 9780691163499

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In this biography, Jeremy Adelman has successfully shouldered the herculean task of exploring and linking the extraordinarily ingenious methodology and exceptionally rich, heroic and global life of one of the greatest political economists of the twentieth century. The title captures the intricate amalgamation of Hirschman's ideas and life very well. In total opposition to the platonic, deductive techniques employed by most economists, Hirschman's methods are mainly inductive, i.e. real world oriented. This different approach to making sense of the social, political and economic world is based on, and intertwined with, his very diverse international life experience as a young socialist activist in the Berlin of the short lived Weimar Republic, student of commerce in Paris and economics at the London School of Economics, refugee and resistance fighter in Italy, Spain and France, soldier and intelligence officer of the US army during World War II, and professor at Columbia and Harvard universities in the USA and development policy consultant in South America and elsewhere in the developing world. Hirschman was fluent in several European languages. And he played a key role in Varian Fry's rescue mission in Vichy France helping to save the lives of a large number of Jewish and left wing European intellectuals persecuted by the Nazis before he had to flee to the USA himself.