

Consider This

Book review: Mission Economy by Mariana Mazzucato

January 2025

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In *Mission Economy*, Mariana Mazzucato challenges us to rethink the role and capacities of governments in addressing complex global issues.

The book questions the role that the governments have played in previous crises and their ability to tackle pressing issues in the next 10-20 years, particularly in a rapidly changing world. The author postulates that overcoming technological and social challenges requires a bold, portfolio-based approach to problem-solving.

Written during the COVID pandemic, the book highlights the essential role governments played in responding to the crisis and state of emergency - significant investments in the development of a vaccine, protective equipment and setting up appropriate methods of online learning and work. However, the pandemic exposed issues that have been building over the last few decades. The frameworks required to deal with crises had been eroded over the years and governments were not capable, risk-prepared or had the foresight to deal with the challenges that were faced. It underscored the lesson that government intervention is only effective when governments possess the capability to act swiftly and decisively.

Mazzucato argues that even before the pandemic, a myriad of issues existed - capitalism and the government's role in it - that could not be solved by the current system.

The book draws inspiration from the Moonshot programmes that was set by President John F Kennedy where the public and private sectors worked together suggesting that we require the same boldness and courage to tackle issues. She advocates for a collaborative approach which uses mission-oriented thinking, as we approach issues to solve today's biggest challenges, such as climate change and rising inequality.

To address these issues, we need to shift the focus of corporate governance to purpose and by taking a very broad-based stakeholder approach across the economy. This involves fostering a symbiotic relationship between public and private sectors, to achieve shared objectives and common goals.

We need to rethink the role of government, mainly because they have the capacity to bring about transformative change at that scale. Further to this, governments should invest in productive capacity, procurement capabilities and public-private collaboration that serves the public interest.

The current capitalist markets are an outcome of the structures that have historically been put in place, where businesses focus more on the short-term outcomes rather than the vision to think about longer-term solutions to issues that need to be addressed.

The book identifies four critical challenges that need to be addressed:

- a. The short-termism of the financial sector
- b. The financialisation of business and value
- c. Fossil fuel dependency
- d. Slow and absent governments

Mazzucato proposes seven pillars to a better political economy, including:

- a. The new approach to value
- b. Actively co-creating and co-shaping markets
- c. Organisational changes and what is needed to enhance the capabilities
- d. Partnership and stakeholder value

A central theme of the book is that governments cannot walk the road in solving these challenges alone. Collaboration with the private sector is essential for achieving positive outcomes.

While Mission Economy primarily focuses on developed markets, such as UK, EU and the USA, its approaches may be less appropriate to developing markets, such as South Africa.

However, there are key lessons around government intervention that is critical for economic prosperity and public-private partnerships success, which is important for all stakeholders.

An example from South Africa illustrates the importance of collaboration. The country faced challenges with Transnet's underperformance in rail, which poses a significant risk to sectors like the mining sector and the broader economy. However, through collaboration between business, government and Transnet, progress is being made to improve rail quality. While this will be a multi-year journey, early signs of successful cooperation are emerging, offering hope for broader economic benefits in South Africa.

In conclusion, Mazzucato's Mission Economy is a call to action for governments to adopt a more proactive, mission-oriented approach to solving global challenges, with an emphasis on collaboration across sectors and long-term thinking.

At M&G Investments, we recognise that these global crises we are facing demands urgent action from investors, companies, and government entities. By grasping the complexities of these challenges and supporting entities that focus on effective risk management and take a proactive approach, we can collectively build a more sustainable future for all stakeholders.

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