Synopsis

In this sharp and controversial exposé, Mariana Mazzucato debunks the pervasive myth that the state is a laggard, bureaucratic apparatus at odds with a dynamic private sector. She reveals in detailed case studies, including a riveting chapter on the iPhone, that the opposite is true: the state is, and has been, our boldest and most valuable innovator. Denying this history is leading us down the wrong path. A select few get credit for what is an intensely collective effort, and the US government has started disinvesting from innovation. The repercussions could stunt economic growth and increase inequality. Mazzucato teaches us how to reverse this trend before it is too late.

Book Information

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Customer Reviews

I'm writing this the day after the third Republican presidential debate. I doubt any of the candidates read The Entrepreneurial State, but they should have. This book debunks plenty of myths, most notably that keeping government "out" of the economy is the best way to stimulate growth in three key ways. First, it demonstrates the ways in which national governments have contributed to the success of today's iconic companies, including my beloved Apple. Second, it shows that far from "picking winners" improperly as politicians claim, public/private partnerships provide leadership for key sectors of the economy, whether that be national security (where it has been most pronounced) to environmental security (where it is arguably most needed). Third, it makes the case for an economy based on partnerships in which the state and the private sector share both the risks and the rewards for economic innovation. I would have liked the book to go even farther and look at the
role such partnerships could/should play in an interdependent networked economic system, but it does enough to warrant a read by just about anyone interested in social change, including a peacebuilder like me.

Well written and I learned quite a few things. Large corporations are getting free R & D from US government, and paying very little in the way of taxes. That means taxpayers are subsidizing them. In the 50’s that was OK because US Corporations were in the 90% tax bracket. At the time I though a 90% tax bracket to be excessive. At the time I couldn’t figure out how they were doing so well while they were paying so much in taxes. Now I know it was because tax payers were paying for the development of new products, and in some cases drugs. Since their tax bracket was so high, it seems fair that the government did so much for them, but now the highest tax bracket is 35% and most company pay only 16% at most..

The importance of the public sector as a key player in an innovative ecosystem is not often acknowledged nor well understood. In a brilliant book, the author has made the case for the public sector role persuasively. In a world that glorifies individual entrepreneurs and venture capitalists as the risk takers who drive the innovative economies, readers of this book will be led to realize that it is quite often the public sector investors who have been the true risk takers with respect to the innovations that have made the most impact on society. Another key insight provided is that when the rewards for innovation and risk taking are disproportionately allocated to those whose risks are relatively modest (i.e. venture capital) this creates an innovation system that increases inequality and is less sustainable than one which rewards risk takers (public and private) more fairly. Unless the public sector can reap rewards that recognize its role in the creation and regulation of new markets, the innovation system will be less likely to create major breakthroughs like the internet, nanotechnology, etc. The clear message of this book is that a true innovation system that is sustainable and that will create transformational change requires the full participation of the private sector and the public sector working together to do what each does best.

Mazzucato’s analysis is absolutely brilliant and this is extremely well written. Anyone who believes that governments are useless should read this book. It really opened my eyes to the innovative aspects of government institutions, and the extent to which they are not only entrepreneurial themselves, but enable other entrepreneurs to build fortunes off of government innovation and investment. Every single online entrepreneur, for example, owes the US government a ton of
gratitude - and those who will inevitably make fortunes on alternative energy will as well.

Mazzucato sheds light on the little talked about and often underestimated role that governments play in innovation. Her overall messages - that the state makes keystone contributions to the innovation process across industries and that the rewards of this innovation accrue largely to the private sector - add a new perspective on a number of public debates. It’s an enriching read. But do not expect a comprehensive treatise on the balance between public and private sector participation in innovation. Mazzucato focuses largely on how the state drives innovation. She is careful not to dismiss the importance of businesses, and in the case of Apple she concedes the company deserves credit for the innovative way it integrated various technologies in a well designed and marketed product. But what I missed in this book is a model of how innovation occurs that could help us understand more precisely the interplay between the actors and their relative contributions. This is not to say the book is unfair or imbalanced. I simply see it as the first volume in a new, more nuanced public discussion on innovation that Mazzucato aims to launch with her book. Mazzucato is a clear writer and the book is exceptionally accessible, even though Mazzucato is an academic. What irked me though is that she is at times repetitive. Perhaps you couldn’t blame her for trying to drive home her message given how underrepresented it is in public discourse.

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