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# Mariana Mazzucato, *The Value of Everything: Making and Taking in the Global Economy*

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## Texte intégral

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1Mariana Mazzucato's book, *The Value of Everything. Making and Taking in the Global Economy*, is an ambitious and much needed attempt to reintroduce the topic of value to the ongoing discussions on the current state of capitalist economies and societies, mainly in Europe and in the US. Mazzucato argues that phenomena ranging from the financialization of the economy to the disproportionate rewards accruing to the assets management industry, from the enormous prices of some pharmaceuticals (e.g. those against cancer) to the tendency of shareholders to only care about short-term rewards of stock-exchange companies, are all a manifestation of one same fundamental idea: that market price reflects an economic value. She traces the history of this idea, from its emergence in the neoclassical theory of value which equates the value of goods and services with a price which is paid for them during market transactions, to its ultimately widespread presumption in economic theorizing and in public policy practices such as measuring GDP. This basic idea has spread, however, without economists and policy-makers recognizing the morally, socially and politically dubious consequences of presuming it. Mazzucato thus claims that we need to bring value theory back to economics, as well as to public debates about economics and economy.

2In particular, Mazzucato draws her readers' attention to the fact that in these debates, it is not clear how value extraction and value production are understood. She defines value extraction as "the appropriation of gains vastly out of proportion to economic contribution" (2), whereas value production is the creation of "new" goods or services, as opposed to extraction, which rather moves existing goods and services around (6-8). Mazzucato believes that in order to steer growth in advanced economies, one needs to return to conceptualizing value creation and value extraction and demarcate between productive and unproductive (extractive) economic activities.

3Mazzucato also advocates repoliticizing value. She reminds us that practices of valuation are always already social and political. The problem is that most modern economists influenced by neoclassicism pretend that this is not the case. Mazzucato spends the first two chapters of the book developing a historical narrative to help us understand how and why we have arrived at a situation

in which the social and political aspect of economic value has disappeared from sight. Mazzucato reminds us that classical economists (such as Adam Smith, David Ricardo, or Karl Marx), for example, developed their theories of value in order to understand the price of goods and labour and that they conceived of economic value and its distribution as a social relation. The theory of value helped them analyse how economic value produced through labour is distributed throughout the economy and society in the forms of wages, profits and rents. It also helped them explain how society maintains conditions under which it can reproduce itself.

4The neoclassical approach completely breached with the classical tradition in this respect, as it turned value into a relationship between an individual and her preferences, given the assumptions of scarcity and diminishing returns. According to neoclassicals (Leon Walras, William Stanley Jevons, or Vilfredo Pareto), value can be equated with a price paid on the market, and prices are claimed to be the result of individuals' preferences. Mazzucato calls such a view on value "subjective," because it tries to determine value in terms of individual decisions and preferences that are revealed through market transactions. Hence, according to classical economists a social valuation of things precedes its valuation on a market, whereas for (most) neoclassicals the market becomes a standard of valuation. Mazzucato also shows that the shift in the definition of value accompanied a change in the understanding of economics as an intellectual project. Neoclassical economists abandoned the project of political economy and advocated for economics to become a value-free science. Hence the somewhat contradictory result: the neoclassical theory of value is at the same time understood as "scientifically objective" and "value-free". Thus, we can see that there is a tension within the neoclassical theory. It attempts to eliminate value judgments from its theorizing, yet at the same time it subscribes to, and presumes, a theory of value, without acknowledging it as a value commitment. It is this tension which Mazzucato's analysis reveals, but perhaps does not, as we will suggest below, sufficiently elaborate upon.

5After these historical chapters, the rest of the book details the effects of neoclassical value theory in different sectors of the economy and society. Chapter 3 demonstrates that during the development of national accounting, the neoclassical idea—that everything which can be priced via market has value—was institutionalized in the practices of measuring economic productivity and growth. Any activity which can be exchanged for a price counts as adding to GDP, and in this way GDP accounting contributes to drawing the current boundary between productive and unproductive activities. In chapter 4, Mazzucato discusses the rise of finance, the expansion of banking, and changing views on whether and how banks create value. She argues that the financial sector is based mainly on rent-seeking activities, and therefore that it should be transformed so that it serves only its proper role: lending money to finance risky activities. The topic of finance continues in the fifth chapter, where the author asks whether the rewards of the asset management industry are proportionate to the actual risks taken by it. She claims that finance extracts value by inserting a wedge, creating transaction costs, establishing monopoly power, and imposing too high charges relative to risks run. This means that financial markets merely distribute income generated by activity elsewhere and do not add to it. Even worse, rent-seeking is not limited to the financial sector, as it permeates other industries through the pressures of finance. This financialization of the economy as a whole is discussed in chapter 6, with the emphasis put on the idea of maximizing shareholder value by stock exchange companies and an analysis of how short-term finance affects the rest of the economy. Finally, Mazzucato shows how value is extracted in the so-called innovation economy of technological and pharmaceutical industries (chapter 7). She argues that these industries generate profits due to rent-seeking and that they both benefit from early investments in innovation that are made largely thanks to public funds. This leads to a situation in which risks of innovative activity are socialized, but rewards thereof are privately appropriated.

Such extractive practices are practiced by venture capitalists, are supported by patent regulations and tax exemptions, and are enabled by the monopolies which companies like Google have become.

6Where does Mazzucato succeed in her project? Let us start by acknowledging a great achievement of the book. Mazzucato succeeds in showing and analysing how the neoclassical value theory got entangled with, and became institutionalised in market and government practices. In addition, she shows what kind of socially and politically problematic or controversial results such practices lead to. Mazzucato convincingly argues that there is something inherently wrong with linking economic value only to the market price mechanism. She also suggests why the advanced economies and societies ended up relying on this notion of value in so many institutional and social settings: the dominance of neoclassical theory in conceptualizing market and government practices. Yet, the neoclassical approach does not recognise that relying on a market price mechanism as a way of valuation is, in itself, an important and consequential value commitment which has a social and political dimension. Nonetheless, Mazzucato remarks, these market and government practices are at the same time accompanied by narratives, which she often calls “stories,” about value creation. They are meant to justify policies like public spending for innovation, tax exemptions for technological companies, or rewards for the finance industry. She points out that such narratives endorse the neoclassical theory of value, but often they also presume a much stronger understanding of value, as in the case of pricing of pharmaceuticals, where the exorbitant prices of some drugs are deemed justified by their ‘inherent’ value for patients and society. Mazzucato argues that in most cases, these “stories” obfuscate or hide (like ideologies) the facts of rent-seeking and value extraction. Her own book is part of a project of telling a different story about economic value, and thus of redefining the distinction between value production and value extraction, in the hope to transform economies into more productive and fairer ones. It is in the context of this ambitious project that we want to make some critical comments on Mazzucato’s work.

7What is undertheorized in Mazzucato’s proposal? Despite the fact that Mazzucato points out the role and importance of notions of value in a capitalist economy, discusses limitations and negative consequences of the neoclassical view on economic value, and calls for bringing the question of value back to the debates about economy and public spending, she does not propose an alternative theory of value. Actually, she deliberately avoids offering such a theory and, in the book, she limits herself to analysing the detrimental effects of a wide uncritical acceptance of the neoclassical view on value, as well as of eliminating any open deliberation about economic value from public debates. However, she does not clarify whether a remedy to the limitations she identifies should be a return to the type of analysis of value which classical economists had developed, or something entirely different. Besides, she does not recognise, or at least does not admit, that advocating for an alternative view on value may necessitate fundamental changes in economic theorizing. After all, value theory and economic theorizing are related to one another, even though neoclassical economics managed to obscure and blur that relationship. This implies that the author’s call may require more radical changes than she is willing to admit or what she suggests, which simply amounts to discussing value socially and politically and “changing stories about value”. Indeed, these suggestions by Mazzucato are not grounded in any account of how economic frameworks become institutionalized. Mazzucato believes that theoretical frameworks have performative effects, but she does not really show us (apart from some rather vague remarks about lobbying by dominant, powerful groups in society) through what mechanisms and dynamics the neoclassical approach and its theory of value became influential and incorporated into social and political practices. An account of this dynamics is needed if one proposes to repoliticize value and wishes to challenge the dominance of the current views on economic value and wealth. “Telling other stories about value” is simply not enough if one doesn’t clarify who should tell them, how, in which contexts, and what should be meant by value.

8Here we touch upon another rather problematic aspect of Mazzucato's analysis. While it is understandable that Mazzucato wants to limit the scope of her project to portraying the negative effects of the neoclassical theory of value, it is questionable whether this project can succeed without simultaneously elaborating an alternative theory of value. Mazzucato tries to show, for example, how value extraction is currently masqueraded as value-creating activity. She analyses various examples including rent-seeking, monopolistic behavior, and extraction through patent regulations. Mazzucato wants to be able to say: even though these practices are defended as value-creating, in fact they are not; quite to the contrary, they impede growth and innovation, and often they benefit from public resources without sharing with the public the profits which they reap. Obviously, in order to be able to make such claims, one needs to have a view about what economic value *really* consists in, as opposed to what the stories legitimating value-extractive activity say of it. Mazzucato does not offer any alternative theory of value, however, beyond the mere presumption that growth and innovation (both rather vaguely defined) are good things, and that societies have collective interests in some identifiable common goods. This is, unfortunately, a rather weak leg to stand on for someone who seeks to differentiate between economic activities that should be considered productive and those that should be considered extractive.

9There is much to be admired in Mazzucato's book, including its ability to generate wide-ranging debates, and perhaps its beginning to push back against the hegemony of neoclassical value theory. If the classical economists argued that value ultimately determines market price, and the neoclassicals argued that price determines value, Mazzucato has made a bold intervention by emphasizing the role that social consensus plays in determining both value and price. This claim underwrites her optimism about economic reform as well as her proposed remedies: we have to tell different stories about value, change how we discuss economic value, and then actualize those changes through government policies that reward the economic activities we collectively define as value-producing and disincentive the activities which we define as value-extracting. Thus, all in all, perhaps Mazzucato does not fully articulate an alternative theory of value because she sees this not as the task of economic theory, but as that of politics.

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