

The Myth of the Entrepreneurial State

“Myten om den företagsamma staten”

Deirdre Nansen McCloskey and Alberto Mingardi

Older Swedes do not need to be reminded that a decade after Olof Palme’s declaration that “The wind is leftward; let us make sail” the ship ran aground. But they may need to be reminded of some earlier history. After a turn in the mid-19th century towards liberalism, Sweden went in six decades from being very poor to being comparatively rich. What did the trick was the liberalism of letting adults get on with it, as against the royal and infantilizing statism that built the Göta Kanal with conscripts 1810–1832 or the social and infantilizing statism that gave Sweden 1906–1975 among the world’s highest rates of eugenic sterilization. Liberalism by contrast could be called “adultism.” Adults will give the poor and lame a hand up. But then they let such fellow citizens live their lives, without direction from Mother Alva or Papa Gunnar.

Yet many on the left remain nostalgic for Sweden’s glorious decades of high taxes and state enterprise, such as state liquor stores and state pharmacies and state auto companies. In those days Sweden was the envy of social democrats worldwide. Sweden is still supposed to be the un-liberal nation, the leader of “the Scandinavian model,” about which outsiders have peculiar ideas. And nowadays all over the place, in neo-populism and neo-Trotskyism, people are invited to distrust an adult liberalism, and to indulge their faith in Mama and Papa State. Look at Trump’s “Make America Great Again,” Orbán’s “democratic illiberalism,” Putin’s neo-tsarism, Xi Jinping’s neo-Maoism, Maduro’s neo-Castroism.

Mariana Mazzucato, an economist trained at one of the few centers of Marxian economics in the USA, the New School in New York, has emerged as a leading enthusiast for such statism. You can get the gist of her line from the titles of two of her books: *The Entrepreneurial State: Debunking Public vs. Private Sector Myths* (2013) and *The Value of Everything: Making and Taking in the Global Economy* (2018). The state, she says, not John Ericsson or Sven Wingqvist or Aina Wifalk, innovates. Mazzucato exhibits an affecting love for our statist masters, especially if they are economists. They know best, she says, how to invent the screw propeller or the ball bearing or the handicapped walker. Mazzucato takes the theme from her special hero, John Maynard Keynes, who asserted in 1936 that the economist is “in a position to calculate the marginal efficiency of capital-goods on long views and on the basis of the general social advantage.”

We have just written a short book critical of this implausible assertion, *The Myth of the Entrepreneurial State*. So too last year did Karl Wennberg, Nils Karlson, and Christian Sandström of the Ratio Institute in Stockholm: *Bureaucrats or Markets in Innovation Policy?* Their title pretty well sums up the problem with Mazzucato's argument. As Wennberg, Karlson, and Sandström say about her all-knowing economist, "there is weak empirical support in the many hundreds empirical studies and related meta analyses evaluating the effectiveness of active industrial and innovative policies." "Weak empirical support" is to put it mildly.

Now admittedly one of us, Alberto Mingardi, a historian of political thought, is director general of one of the (rare) liberal think tanks in Italy. (That the Istituto Bruno Leoni is "rare" testifies to the bizarre fact that Italians disdain their state, yet keep voting for politicians who want the state to coerce Italians more.) And Deirdre McCloskey is a Chicago-School economist and increasingly an "Austrian" economic historian. The Adam Smith Institute in London and the American Institute for Economic Research published our book, and are notoriously liberal. The liberal organization Timbro in Stockholm just translated a 2019 book by McCloskey into Swedish (*Liberalism*). And Ratio, on whose academic board McCloskey serves, is of course also liberal. Unlike Keynes and Mazzucato, and in truth unlike most modern economists, the liberals Mingardi, McCloskey, the IBL, the Good Old Chicago School, Timbro, the ASI, the AIER, Ratio, and the liberal minority of economists doubt that the state is all-wise and all-just.

You will say, "Oh, those liberals. They don't believe the state has *any* role."

No. We liberals believe that the state should fight plagues and forest fires and Russian threats to seize Gotland. But we don't think a Ministry of Innovation implementing industrial and innovation policy is any more likely to do a good job than would a Ministry of the Swedish Language or a Ministry of Rock Music or a Ministry of Clothing Designs or a Ministry of Swedish Mystery Novels. Innovations are unpredictable. That's why they are innovations. If unpredictable, they are unplannable. Human arts and sciences evolve in a liberated society by individual initiative. And business is an art and a science. What Adam Smith called "the liberal plan of [social] equality, [economic] liberty, and [legal] justice," the "obvious and simple plan of natural liberty," has worked extraordinarily well since 1800, or since 1960, or since 1990. The three thousand percent increase of real income per head (yes, 3,000, a factor of thirty) that Sweden has experienced since 1800 depended little on state action and a great deal on human action. The world discovered in the 19th century the fact, contrary to the faux "discoveries" in social science then, such as Marxism and eugenics, that a liberated nation gets very rich and pretty good.

True, "industrial policy" and state-governed "directionality" feel reasonable to many, because after all in their own lives they have a policy, a top-down plan in a certain direction. The parents in Jönköping plan for dinner tonight, and fill the pressure cooker. The student in Göteborg plans for the final examination, and fills the notebook. Why not for a nation, too? In the famous Swedish word of 1927, why not *folkhemmet*? It's just common sense, prudent and equal.

But it's not. For one thing, you know as an adult that even your own personal plans do not always work out. You put too much garlic in the pressure cooker or put the wrong

equations in the notebook. And the *pater familias* sometimes takes unfair advantage. You know that families are not always prudent and equal. All the more so for a “hem” of 10 million, not to speak of 60 or 331 million. Better not centralize in Stockholm or Rome or Washington.

Yet we all grow up in families more or less cozy and nice, which helps explain why statism retains its appeal, after notable failures even in Sweden. David Hume noted that ethics properly relies not on logic but on what he and his friend Smith called “moral sentiments.” That is, cultivated emotion is the foundation for ethics, and should be. We work afterwards to find reasons to justify what our emotions feel to be good or bad, moral sentiments taught at our mothers’ knees, and in our religions and literatures, our movies and political slogans. Around 1960 McCloskey, for example, like most young people in the middle class, thought of the economy on the analogy of the family. Had she known the word she would have applauded *folkhemmet*. She believed, that is, in a version of socialism, singing as a late teenager the American labor songs of the immigrant Joel Emmanuel Hägglund (“Joe Hill”), then at university buying into the Keynesian economic engineering that Mazzucato is selling. Most economists have believed something like it for a century or so, which explains the proliferation of “policies” to “nudge” free adults in this or that direction. No other social science is so busy-body as modern economics has been – as for example in Sweden after the great liberals, such as Eli Heckscher and his student Bertil Ohlin, left the field to Gunnar Myrdal and his statist friends.

Mazzucato’s statism of course presupposes a modern state. Nationalism is a mighty source of moral sentiments. McCloskey’s grandfather would recite a Norwegian-American rhyme from the 1910s: “Ten thousand Swedes / Went through the weeds / One day in Copenhagen. / Ten thousand Swedes / Went through the weeds, / All chased by one Norwegian.” Ha, ha. As George Orwell said, “One cannot see the world as it is unless one recognizes the overwhelming strength of patriotism, national loyalty . . . As a positive force there is nothing to set beside it. Christianity and international socialism are weak as straw in comparison.” As a positive force it’s funny rhymes and soccer rivalries, until it turns to coercion. That’s a worry about Mazzucato’s statism. If you like nationalism and socialism, to sharpen the point, maybe you’ll like national socialism.

People in different countries have different holy words. Yes, the people don’t necessarily implement the holy words. But they talk about them a good deal, and become irritated when anyone questions them. In Italy the holiest word is *figura*, in the USA *liberty*, in France *fraternité*, in the Netherlands *verdraagzaamheid* (or from French, *tolerantie*), Germany *Ordentlichkeit*, Russia “the good Tsar” (in Finland he was Alexander II). The word in Sweden is of course *jämlikhet*, and is the main reason that Swedes, though commercial and certainly quite inventive, are made uneasy by liberalism. But in historical fact it is statism with its coercions in aid of special interests, not liberal markets with free entry, that leads to *olikhet*.

Please, *carissimi*, read the books, and try to get better moral sentiments.