



**THE VALUE OF EVERYTHING:
THE MAKING AND TAKING
IN THE GLOBAL ECONOMY**
By **MARIANA MAZZUCATO**

Reviewed by Joseph Milne

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Marina Mazzucato's *The Value of Everything: Making and Taking in the Global Economy* is a most illuminating book for those interested in the history of economic thought. It has three main aims. The first is to show that all economic theories are founded in values of some kind and that economics has never been an objective 'value-free' science. Second, to show that our modern economy is primarily driven by 'wealth extraction' at the price of actual 'wealth creation'. Third, to show that the public sector is a major contributor to the economy and not, as commonly assumed, a burden on the economy. There are also several important sections on rent and rent-seeking.

She writes 'by 'value creation' I mean the ways in which the different types of resources (human, physical and intangible) are established and interact to produce new goods and services. By 'value extraction' I mean activities focused on moving around existing resources and outputs, and gaining disproportionately from the ensuing trade'. In the history of economics different things have been held to have value. For Adam Smith the only thing of true economic value was actual wealth produced by labour. It follows from this that any other activity or service that does not produce food, clothing or housing has no economic value. Thus, according to Smith, officers of justice, the army, priests, lawyers, doctors and performing artists are economically unproductive.

This simple distinction between productive and unproductive labour has led to the notion that all state expenditure is unproductive, and that 'austerity' encourages the creation of real wealth. Although this is not what Smith intended, it is how he has been interpreted in recent times.

Mazzucato argues that state expenditure is not unproductive. On the contrary, education and government funded research make major contributions to the economy. For example, for all the claims of high risk innovation in modern technology, a large part of the initial funding comes from government investment – for example pharmaceuticals, the Internet, biotech and nanotech. The large companies in these fields are very conservative in risk-taking. Yet they get the credit and the profits from government funded research.

For Mazzucato this raises questions not only about the real relation between the public and the private sectors, but about the nature of value itself. She argues that taking GDP is the sole measure of economic value is insufficient and even misleading. And where public sector investment in infrastructure is discussed, its outlook is far too narrow. For example 'A green transformation requires not only green infrastructure but a clear vision of what living a green life means. It means transforming all sectors, including traditional ones like steel to lower its material content. Such transformation can only be undertaken through government initiative. Left to itself the private sector can accomplish very little in response to environmental transformation, and would be inhibited anyway by its risk-aversion.

The economic values of a society are ultimately collective values and extend far beyond the marketplace. Even if 'value extraction' were curbed and wealth more fairly distributed among its actual creators, the prospects of improving the life of society will still rest with government and the responsibilities it alone can assume on behalf of society as a whole. [▶](#)

BOOKS WORTH READING

A recently republished book by Routledge Revivals is worth reading: *An Inquiry into Physiocracy* by M. Beer.

Originally published in the year 1939 the book traces the rise of Physiocracy in France as it emerged to meet the challenge of mercantilism which held that money was the essence of wealth – a conception that arose at the end of the Middle Ages and endured until the end of the seventeenth century.

The Physiocrats asserted that agriculture was the only source of wealth, and the only truly productive occupation. Seeking to demonstrate their theory that real wealth arose only from cultivating the land, they looked to earlier history where the economy was more natural. They read Aristotle, Cicero and Aquinas in order to recover the tradition of natural law. They regarded all forms of manufacture not based on agriculture as sterile. At best other types of manufacture merely modified what was drawn directly from nature. Nothing new was created.

Beer observes that the name Physiocracy is derived from the Greek *phusei* and *kratia* meaning the 'rule of nature'. In returning to Aristotle the revived the two types of justice which the schoolmen had also elaborated: distributive and commutative justice, the first signifying rights and duties of citizens, and the second signifying that all exchange should be based on equality or mutual benefit. It is clear that their concern was to establish just exchange of wealth where none could exploit another, as in mercantilism.

It is an excellent a very straightforward history of the Physiocrats, worthy of this recent republication by Routledge. [▶](#)