

OPINION  
PIECE

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# MISSION-ORIENTED INNOVATION AND INDUSTRIAL POLICY

The world faces enormous challenges around health and climate, and the underlying structure of our economies has prioritized short-term targets over long-term ones for too long. What is required is a radical change, consisting of putting challenges at the heart of the economy, rather than seeing economic growth on one side and the solutions to social problems on the other. With this aim, it is useful to think about the role of challenge-led policies – that is, policies that use investment and innovation to solve difficult problems (Mazzucato, Kattel and Ryan-Collins, 2019).<sup>16</sup>

Industrial strategies are seeing a revival around the world and should be harnessed to direct economies towards solving the biggest challenges through innovation and investment (Mazzucato, Kattel and Ryan-Collins, 2019; Mazzucato, 2018a). By creating well-defined missions to solve significant challenges, policymakers can influence the direction of growth by making strategic investments and using suitable policy instruments in many different sectors.

In order to apply innovation to challenges, the latter have to be broken down into ambitious but pragmatic and achievable tasks (Mazzucato, 2018b) or missions – concrete targets within a challenge, that act as frames and stimuli

for innovation. Using missions to drive national industrial strategy or innovation policy means focusing less on sectors – such as the car industry, aerospace or telecommunications, as has been seen in past “vertical” policies – and more on the societal challenges that affect all.

One example of such a mission-oriented framework is the European Union’s Horizon Europe research and development programme, in which a proportion of approximately € 100 billion will be deployed to five mission areas, as set out in my report for the European Commission, *Mission-Oriented Innovation Policy: Challenges and Opportunities* (Mazzucato, 2018b). In July 2019, I launched a second report titled *Governing Missions in the European Union*, which focused on three main areas: how citizens can be engaged in co-designing and co-implementing missions; what are the tools that the public sector needs in order to foster a dynamic innovation eco-system; and how can mission-oriented finance and funding leverage other forms of finance (Mazzucato, 2019).

The United Nations Sustainable Development Goals (SDGs) also present tremendous opportunities to direct innovation aimed at multiple social and technological challenges, thereby addressing the urgent need to create societies that are more just, inclusive and sustainable.

Today, in the midst of the COVID-19 crisis, the world must address the twin challenges of recovery from the economic shock due to COVID-19 and the transition to a low-carbon economy. These are not separate challenges. COVID-19 has prompted a bold state response, and if the green industrial strategy is to be successful, it will require a rethink on a similar scale of how governments negotiate with business. Strategies in which risks and rewards are shared fairly among all actors are vital for fostering the dynamic and sustainable investments that are needed across the long and uncertain process of innovation, and in order to produce a symbiotic, collaborative relationship between the public and private sectors.<sup>17</sup> The existing paradigm of socialized risks and privatized returns needs to be replaced by one where public investment leads to public returns.

If governments are fully to take this purposeful approach to innovation and industrial policy, they will need to learn how to build new types of public-private collaboration for the public good, and how this can be achieved through industrial policy. This must involve using tools such as procurement and patient strategic finance, but also truly confronting the “ways of doing things” that currently exist in government.