Mission Impossible: Why the Mission-Oriented Economy Fails

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*This is a pre peer review version of the manuscript. The published version is available from *Public Finance Review* at https://doi.org/10.1177/10911421261456499 *

Abstract. Recent studies have argued that governments should play a more active role in driving innovation by undertaking high-risk, mission-oriented investments. In this framework, governments should shape markets instead of fixing them. The mission-oriented economy highlights state-led technological breakthroughs, yet it overlooks the informational role of market discipline. Insulated from profit-and-loss feedback, government-led missions will supplant entrepreneurial successes with engineering ones. This raises broader concerns about equating risk-taking with entrepreneurship and replacing decentralized discovery with centralized direction. This article examines these tensions and outlines a framework for understanding how markets and states contribute differently to innovation.

Keywords: Capitalism, Entrepreneurship, Government, Mission Economy
JEL Classifications: H10, H54, L26, M13, P11

INTRODUCTION

Scholars and policymakers have emphasized the state's role in shaping technological progress, particularly in domains characterized by high uncertainty, long term horizons, and large societal externalities. Mariana Mazzucato's influential "entrepreneurial state" and "mission economy" frameworks have argued that rather than merely correcting market failures, governments should actively create and shape markets through mission-oriented investments (Mazzucato, 2021, 2015). This perspective has informed major innovation policies in the European Union, the United Kingdom, and the United States.

However, there are several problems with the mission economy that deserve greater attention. First, the mission economy equates state-led risk-taking with entrepreneurial innovation. Yet, this overlooks a critical distinction central to economic theory: invention is different from commercially viable innovations. Second, the mission economy framework does not account for the discovery function facilitated by profit-and-loss feedback in decentralized markets. Historical cases such as the Concorde project illustrate that the state's insulation from profit and loss feedback loops can lead to prolonged investment in projects that can be technologically impressive but economically unviable (Holcombe, 2026). In market-based economies, private actors must face real-time market signals, which help drive efficiency.

These problems raise significant concerns for both theory and policy. The mission economy misallocates resources, obscures opportunity costs, and conflates engineering achievement with entrepreneurial success. Such an approach favors state-led judgment over decentralized learning processes that are fundamental to innovation's economic viability. Not only is this state-led judgment less conducive to innovation, it is also more conducive to corruption and crony capitalism (Holcombe, 2013).

The purpose of this article is to analyze the mission economy perspective using a critical and comprehensive theoretical framework. By revisiting the perspective using this approach, this study provides a more comprehensive evaluation of state-led mission-oriented innovation. We focus our efforts on the four core ideas of the mission economy: (1) missions as organizing principles, (2) the entrepreneurial state, (3) public value not public spending, and (4) state capacity. Our study demonstrates that each core idea has major limitations that warrant more attention from the literature. The assumptions behind these core ideas are seldom justified and evade critical analysis. We conclude that, although scholars contend that the mission-oriented framework is a better form of capitalism, it lacks notable features of capitalism. It substitutes centralized decision-making for decentralized ones, as the state is the lead proponent of state-directed missions.

Our study contributes to the literature in at least three ways. First, it clarifies the error that arises when state-sponsored R&D is labeled "entrepreneurial," despite lacking the feedback mechanisms that define entrepreneurship. Second, it demonstrates empirically—using cases such as Boeing's abandoned SST program and the Anglo-French Concorde—that the private sector's profit-and-loss discipline can reveal infeasibility more effectively than mission-driven state investment. Third, it offers a more precise framework for distinguishing the productive role of the state in enabling technological invention from the fundamentally market-driven processes that transform inventions into economically viable innovations. Together, these contributions provide a more analytically coherent foundation for understanding the respective roles of states and markets in modern innovation systems.

THE MISSION ECONOMY

In the Mission Economy, Mazzucato (2021) argues that capitalism faces many problems. Capitalism, as argued, does not address grand societal challenges such as climate change, inequality, pandemics, and digital divides. The role of capitalism, in this view, is that it should be an economy based on missions to solve these grand challenges. There are four core ideas to this mission-oriented framework: (1) missions as organizing principles, (2) the entrepreneurial state, (3) public value not public spending, and (4) state capacity. It is important to define these core ideas before proceeding further.

According to the mission-oriented view of the economy, the state should design missions as organizing principles. This means that governments should coordinate economic activity to solve missions and missions should use clearly defined and measurable goals. Missions should therefore direct attention to issues that the state deems important and coordinate different actors across the public and private sector.

In the mission-oriented view of the economy, the entrepreneurial state means that the government should assume a more entrepreneurial role than what is expected from the private sector (Mazzucato, 2015). Traditionally, the neoclassical view in economics is that the government's role is to correct market failures (Arrow and Debreu, 1954; Smith, 1776). However, rather than merely correcting market failures, the mission-oriented view of the economy argues that governments should actively create and shape markets through mission-oriented investments (Mazzucato, 2016). This perspective argues that the state is a key risk-taker behind important technologies. As such, missions would make this role explicit and intentional.

The third core idea of the mission-oriented economy says that the government should capture part of the value it helps to create. A focus on public spending places the emphasis on the private sector and how the government can best support it. If you accept the second core idea, that

the state should be an entrepreneurial one rather than a passive one, then the government should go beyond a supportive role. Instead, the mission-oriented view of the economy wants the government to foster an entrepreneurial state where it can act as a champion of innovation to solve problems (Mazzucato, 2015). If successful, Mazzucato (2021) argues that the state should receive a share of the returns to innovation.

For missions to be effective, they require competent government run institutions. This is the fourth core idea of state capacity. The argument here is that individuals employed by the government are not inefficient or bureaucratic, as commonly depicted. This is a rebuttal to the public choice literature that regards government run institutions as inefficient and bureaucratic (Niskanen, 1971).

MISSIONS AND CAPITALISM

The mission-oriented economy claims to be a better form of capitalism. Its goal is to change capitalism and the way that the public and private sectors interact. However, the problem is that the mission-oriented economy is not capitalism. To understand this point, it is important to first provide a definition of capitalism. According to Merriam-Webster, "Capitalism is an economic system characterized by private or corporate ownership of capital goods, by investments that are determined by private decision, and by prices, production, and the distribution of goods that are determined mainly by competition in a free market." According to ChatGPT[1], "Capitalism is an economic system in which most property, businesses, and resources are privately owned and operated for profit. Decisions about production, prices, and distribution are guided by markets, supply and demand, rather than by the government." As one can observe from these two

[1] I entered the prompt, "define capitalism", using ChatGPT version 5.2.

definitions, there are two core features to capitalism. The first is that capitalism is a system based on private enterprise. The second is that it is a decentralized system (i.e., bottom-up), one where markets guide decisions about prices and production rather than the government. In contrast, if the government made these allocation decisions, like what the mission-oriented approach desires, we would call that a centralized system (i.e., top-down).

Proponents of the mission-oriented approach contend that the system is capitalist because the means of production remain privately owned. That is, the government directs the allocation of resources but does not own the resources and means of production. However, the means of production is only one aspect of capitalism. Capitalism requires private means of production *and* that market prices coordinate economic activity. Capitalism is a decentralized spontaneous order where no one person, state officials, or planning boards are guiding allocation decisions (Hayek, 1945). This is the opposite of the mission-oriented approach. In the mission-oriented approach, the government decides which goals are worth pursuing and how the private sector might engage with the public sector to pursue them. Therefore, it is misleading to call this mission-oriented approach an alternative form of capitalism. For example, "While this book is intended for both theorists and practitioners, it is meant especially as a guide to how we can 'do' capitalism differently" (Mazzucato, 2021, p. 10).

Now that we have defined capitalism and explained why the mission-oriented approach fails this definition, it is worth outlining and challenging the core ideas behind the mission-oriented approach.

(1) Missions as organizing principles

The first core idea is that missions should serve as organizing principles. In this first core idea, the government decides which goals are worth pursuing and decides how to use missions to solve these problems. Behind this idea is the assumption that the government can do a better job of solving problems than entrepreneurs. The mission-oriented approach contends that if entrepreneurs could solve grand challenges, then it would not be necessary for the government to use missions to solve them. However, this assumption of a superior public sector requires a more critical analysis.

Many argue that capitalism has failed or that entrepreneurs cannot solve social problems. Therefore, the state must step in to solve these market failures. For example, Mazzucato (2021, p. 143) argues that "Markets will not find a green direction on their own, however. Governments have a fundamental role to play in providing a stable, consistent conduit for investment." Mazzucato assumes that entrepreneurs will not find a green direction on their own and uses this as justification for a mission-oriented economy. Yet, this claim goes against the evidence that there are many entrepreneurs who do find profitable ways to solve social problems. Entrepreneurs of all types will help solve social problems when there is a profit motive to do so (Holcombe, 2024).

Consider green energy, the topic presented in the quotation. Entrepreneurs may or may not be intrinsically motivated to make the economy greener. This, however, is irrelevant because the market system will encourage this behavior. For example, as fossil fuels become depleted, there will be a decrease in their supply. More expensive production methods and locations will be necessary to extract the remaining fossil fuels. As the supply continues to decrease, the price will rise, reflecting this higher costs (Holcombe, 2024). Alternatively, technological improvements will increase the supply of green energy, decreasing their price. More entrepreneurs will use these

alternative sources as they will become cheaper over time. On the demand side, consumers will often prefer greener energy sources. This will increase their demand, raising prices and profitability for entrepreneurs who use green energy. This profit motive only exists when there is capitalism. Therefore, Mazzucato is incorrect when she says that markets will not find green direction on their own. Basic supply and demand analysis shows that they will find green direction on their own, without government intervention.

Moreover, capitalist economies also have social entrepreneurs who use business to solve social problems. Because consumers desire to use green energy or to solve other social problems, there is a profit motive for businesses in solving these problems. Social entrepreneurs find ways to make money by solving social problems. Companies like 4Ocean clean up the ocean and can do this because people either donate or purchase merchandise supporting the company. Tom's shoes popularized the 1-for-1 donation model by donating a pair of shoes for every pair purchased by consumers. This model is now used by many other social entrepreneurs. There are countless entrepreneurs who solve social problems and make money doing so. Thus, the evidence does not support the claim that entrepreneurs in the private sector cannot or will not solve social problems.

(2) The entrepreneurial state

The second core idea is the role of the entrepreneurial state. Starting from the assumption that the government can do a better job of solving problems than entrepreneurs, the mission-oriented approach contends that the government should act entrepreneurially. That is, it should shape markets instead of fixing them (Mazzucato, 2016).

However, just because the state *can* shape markets does not automatically mean it *should.* The mission-oriented approach assumes that agents in the private sector cannot solve social

problems. For example, it states, “Our lethargic transition pace, globally, is a lesson in what can happen if government leaves the market to sort out problems and abstains from assuming its entrepreneurial role in society (Mazzucato, 2021, p. 143).” Yet, in such statements, there is no mention of how markets cannot solve these social problems while the government can. While there are market failures, the market does often solve social problems. Consider sustainability as an example. As demand by consumers has grown for sustainable alternatives to products, entrepreneurs have found novel ways to solve problems and offer sustainable products. This is not because the government is directing them to do this. It is because there is a profit motive that rewards this activity. Therefore, it is not clear why the government would automatically have an advantage over solving social problems, which justifies the co-creation or shaping of markets.

(3) Public value not public spending

The third core idea is that the government should focus on public value rather than public spending. According to the mission-oriented approach, the government should not merely focus on public spending. Instead, the government should focus on outcomes, not input. Public value focuses on the impact and purpose of spending. It asks whether missions generate societal benefits. This can include things like innovation spillovers. Yet, the mission-oriented approach instead often focuses on social activism like green energy, sustainability, and inclusion.

However, the emphasis on public value rather than public spending removes all cost-benefit analyses. Instead, it justifies a mission as anything that can create public value. But who defines what constitutes public value and how much value is enough? Mazzucato (2021) argues that some projects have substantial benefits to society. Therefore, they should be funded. However,

the benefits are often vague, and policymakers seldom discuss the costs. Without a deeper understanding of the costs and benefits, these projects will be subject to political motivations.

(4) State capacity

Lastly, is the idea of state capacity. In the mission-oriented approach, state capacity refers to the government's ability to effectively design, implement, and manage mission-oriented policies. For state capacity, the state must be able to set clear missions, avoid bureaucratic inertia and politics, have the capacity to make long-term rather than short-term investments, to have a talented and knowledgeable workforce, and to be transparent in its operations.

However, state capacity as defined by the mission-oriented approach, contradicts public choice theory (Buchanan, 2003; Buchanan and Tullock, 1965). The core argument in public choice theory is that individuals in the public sector are self-interested and rational just like in the private sector. Therefore, we should treat public sector agents as if they respond to incentives, just like economic analysis does for individuals in the private sector. In the public sector, agents have incentives to be budget maximizers. There is no incentive for profit maximization like in the private sector. The result is often inefficiency and government bloat (Niskanen, 1971) and incentives for rent seeking and unproductive economic activity (Krueger, 1974; Tullock, 1967).

The mission-oriented approach says little about public choice theory, concluding only "no empirical evidence was advanced to support this idea. It was just assumed that social, constitutional and ethical concerns never motivated bureaucrats and politicians (Mazzucato, 2021, p. 34)." However, this ignores an entire literature in public choice theory, including a journal by the same name. To say that there is no empirical evidence behind public choice theory is clearly false. To provide just one example, Niskanen (1975) proposes and tests several hypotheses about

bureaucracies based on his seminal theory concerning bureaucracy and representative government. He finds evidence to support hypotheses on overspending, production inefficiency, oversupply, overcapitalization, and bureaucratic structure. Thus, if missions require state capacity, it is likely that they will falter due to the political process, the lack of accountability, and the absence of profit motives guiding decision making.

MISSIONS AND ENTREPRENEURSHIP

Missions are engineering problems not entrepreneurship ones.

One of the problems with the mission-oriented approach is that it views missions as entrepreneurial. However, it is important to make a critical distinction. Missions are often *engineering* problems, not entrepreneurial ones (Holcombe, 2026). Mazzucato (2021) provides an example of the Concorde project with the mission to provide commercial supersonic passenger aircraft. By its completion, the project cost more than $2 billion and took 14 years to complete (Farnsworth, 1971). This is about $15 billion adjusted for today. However, it was never profitable for either of the UK or French governments, and it concluded its flights in 2003. Mazzucato (2021) offers this as an example of a successful mission. However, it was an engineering success not an entrepreneurial one. This highlights a key distinction between invention and innovation.

As another example, Mazzucato (2021) uses the Apollo missions to justify the mission-oriented approach. The Apollo missions too were engineering successes but not entrepreneurial ones. Although it is true that there were knowledge externalities associated with the space race, there was no attempt to weigh the costs and benefits of the mission. Yet, this is entirely consistent with the mission-oriented approach. This approach wants to shift the focus from public spending

to public value. If proponents can argue that the project has public value, they can justify the mission, regardless of the costs and benefits.

Missions are not necessary to take early-stage risks

Mazzucato argues that the state is necessary to take risks since the private sector will not take early-stage risks. However, this is false. To illustrate this, one such mission was the Concorde project—a mission on behalf of the British and French governments to create a supersonic passenger jet However, Boeing also attempted to do the same with the SST project (Holcombe, 2026). What was the difference? As a private enterprise, Boeing realized the project was not economically feasible due to production costs, fuel use, and noise regulations. It simply was not profitable. Boeing canceled the project in 1971, after five years of work. However, the Concorde project continued for 14 years, despite mounting losses. The project was completed in 1976, but it was never profitable for the UK or French governments. There was no profit or loss mechanism that discouraged this waste of resources for Concorde but there was for Boeing.

This example shows that, although the mission-oriented approach views the state's willingness to absorb risk as a strength, it is also a weakness. The absence of profit and loss signals for the state insulates decision-makers from critical feedback. The mission-oriented approach argues that the government should step in when markets refuse, i.e., when projects are too uncertain or long-term. The Boeing-Concorde example shows that the private sector did take risks. However, it learned about the risks and exited, preventing a misallocation of resources. The state was not bearing risk that the market refused. It was bearing waste that the market had already identified. Thus, the issue is not that government is uniquely capable of taking high-risk bets, but that it often lacks the tools to tell which risks are productive and which wastes effort.

DISCUSSION

Our analysis highlights the central tension between the mission-oriented approach to the economy and the economic logic of capitalism. While mission-oriented frameworks aspire to mobilize resources to achieve social goals, their structural features undermine the very conditions under which innovation becomes economically sustainable. The core issue is not whether governments can contribute to technological progress but whether state-led missions are compatible with the discovery processes. This is necessary for translating invention into commercially viable innovation.

Contributions and implications to the literature.

Our study makes several contributions to the literature. First, our study argues that the mission-oriented economy is ill-suited to addressing the very challenges it seeks to solve. Holcombe (2026) makes a similar argument in that the entrepreneurial state is not entrepreneurial at all, despite its claim. This article makes many of the same claims in the present study. We advance this literature by evaluating not just the entrepreneurial state, but also the mission-oriented economy framework. This framework proposes four core ideas: (1) missions as organizing principles, (2) the entrepreneurial state, (3) public value not public spending, and (4) state capacity. Our study analyzes each core idea and explains the shortcomings present in each. Thus, our study advances the literature to move beyond a critique of the entrepreneurial state towards a broader evaluation of the mission-oriented framework.

Second, our study extends the literature on entrepreneurship and capitalism. The mission-oriented framework contends that it is a better form of capitalism. However, as our study demonstrates, the mission-oriented approach is not an evolution of capitalism. It is a departure

from it. Entrepreneurship does not flourish in centralized direction like that proposed by the mission-oriented approach. It flourishes with decentralized experimentation and the discipline imposed by profit and loss signals (Hayek, 1945; Kirzner, 1978). There have been numerous studies demonstrating a strong link between capitalism (or economic freedom) and entrepreneurship (Boudreaux, 2025; Boudreaux and Nikolaev, 2019; Bradley and Klein, 2016; Dutta and Sobel, 2021; McMullen et al., 2008). For societies seeking to foster transformative innovation, the lesson is clear: missions may inspire bold engineering feats, but sustainable progress depends on the institutions of market capitalism, not their substitution.

Limitations and suggested future directions

As with any study, ours is subject to limitations that future research might consider. The first limitation is that this study does not present any empirical evidence behind the efficacy (or lack thereof) of the mission-oriented economy. Instead, this study presents an important critique of the case studies presented in the mission-oriented framework (Mazzucato, 2021, 2015). Future research might consider identifying variations in government with state-led directions as the focus. Some studies have started to explore additional case studies (Henrekson et al., 2024; Wennberg and Sandström, 2022), but more comprehensive work can be done. This type of work would attenuate concerns about cherry picking examples or case studies to match *a priori* beliefs.

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