

Foundational Economy

Subjects: Economics

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Since its 2013 Manifesto for the foundational economy, the Foundational Economy Collective (FEC), a group of (mainly) European researchers, has challenged mainstream thinking about the character of our economy as well as economic policy making. Drawing upon the work of Fernand Braudel, the FEC argues for an understanding of the economy as composed of different zones, with the foundational economy vital for our everyday life. This includes inter alia provision of electricity and water, garbage disposal, food supply, education, health, care, social housing, and police. These activities constitute capitalism's non-capitalist foundation, the "everyday communism" (Streeck) that sustains and enables it. This entry provides an overview of the genesis and development of foundational thinking.

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1. The Genesis of Foundational Thinking

In 2013, the *Manifesto for the foundational economy* offered a conceptual toolkit to think about the foundational economy as a "new economic entity" ^[1] (p. 3). By focusing on a mostly unglamorous economic zone that produces and distributes "goods and services consumed by all (regardless of income and status) because they support everyday life" ^[1] (p. 7), the manifesto made the plural character of contemporary economy visible. Therefore, it argued, policy priorities should shift from high-technology tradable sectors that employ few towards the "foundational economy" that employs around 40% of the workforce in European countries—a workforce that is almost entirely locally and regionally anchored and operates "in more or less sheltered areas of economic activity" ^[1] (p. 7). The manifesto criticised business models based on privatisation, public austerity, financialisation, and short-termist point-value logics, which underestimate temporally and spatially distant costs and benefits. An adequate business model of the foundational economy must take up societal obligations in return for the privilege "to extract cash from a territory in sheltered sectors, rather than expecting sweeteners to operate locally" ^[1] (p. 18). Hence, apprehending the foundational economy as embedded in, enabled by, and protected through political territory, the manifesto highlights the necessity for social franchises to balance the relations between consumers, workers, and local residents in the provision of mundane goods and services. These ideas have been refined and further developed in a series of working papers, public interest reports, journal articles, and books (cf. <https://foundationaleconomy.com/> accessed on 15 August 2021).

2. The Development of Foundational Thinking

A milestone in foundational thinking was the systematisation of economic zones in the 2018 book *Foundational Economy*, which was further refined in later publications (e.g., ^{[3][4]}): (1) the *core economy* (family and community) constitutes a form of provisioning outside market-exchange and public provisioning because "we must love one another and die" ^[4] (p. 3). Austerity policies have increasingly shifted work to this economic zone of everyday life, though often under the pretext of volunteering. (2) The *foundational economy* is composed of (a) provisioning systems for material services, operating through "pipes and cables, networks and branches which continuously connect households to daily essentials—like water, electricity, retail banking and food" ^[2] (p. 20) and (b) provisioning systems for providential services such as health and care, education, and social housing. Both are essential for human flourishing but take culturally and historically specific forms. They differ from the tradable sector by offering low risk, low return economic activities with long-term horizons. Since the 1980s, foundational provisioning has been increasingly privatised or outsourced to not-for-profit organisations, spreading financialised business models ^{[5][6]} and downgrading social obligations. (3) The *overlooked economy* of "lifestyle and comfort support systems" ^[2] (p. 28) includes mundane cultural necessities (e.g., haircuts, holidays, bars, restaurants, gyms) where purchase can be postponed and occurs on an occasional basis. (4) The *tradable and competitive economy*, including (aspirational) private purchases (e.g., cars, electronics), has been at the centre of economic policies, promoting "business-friendly" structural reforms and "asset-based" welfare strategies, also known as 'privatised Keynesianism'.

Today, re-orienting public policies towards the foundational economy is a challenge, due to the restricted public budgets and degraded capacities of public administrations ^[7]. Affordable and high-quality provisioning of foundational services is a public task but does not require service delivery by the central state; intermediary institutions, such as housing associations and water cooperatives, and “coalitions of local and regional actors” ^[8] (p. 153) will be more sensitive to local contexts and citizens’ needs. Besides public provisioning, social licensing can impose social obligations upon private foundational service providers ^[9]. Such obligations include ecological considerations, working conditions and wages, treatment of suppliers, reinvestment of limited profits into socially relevant spheres, and ending tax abuse. As foundational providers have in effect “a territorial franchise through their networks and branches”, they should, “quid pro quo”, offer “something social in return” ^[9] (p. 9).

Since metrics drive policy making, foundational thinking seeks alternatives to GVA/GDP frames, which are biased towards individual market income, impose a unitary identity upon regions and economic zones, and fallaciously assume that higher productivity solves low-wage problems. Foundational frames of liveability overcome these shortcomings and recognise diversity and unevenness in wellbeing ^[3]. Residual income is a preferred alternative metric, measured as post-tax disposable household income minus the inescapable costs of household essentials such as utilities, housing, and transport ^[10]. It strikes a balance between market-income-based private consumption and infrastructure-based collective consumption and reframes differences between and within cities and regions across four dimensions. First, housing costs vary substantially between different tenure groups (e.g., social renters, private renters, owners, mortgage payers), thereby taking differentiated slices out of post-tax income. Second, residual income acknowledges households as units of consumption, pooling income rather than individualising consumption. Third, it balances between basic service provisioning and income available for overlooked services such as restaurants or hairdressers, thereby rejecting “either-or” dichotomies in favour of “as-well-as” thinking. Lastly, it problematises what constitutes a winning region, as success in terms of GVA/GDP does not deliver liveability if housing, transport, or utility costs are disproportionately high. Better metrics alone are, however, insufficient. To make sense of what really matters to citizens, metrics and indicators (*techne*) must be enriched by local, specific, and granular knowledge (*metis*) to understand peculiar social fabrics and inquire into what people collectively value in their communities, e.g., social infrastructure such as libraries or parks ^[11]. Therefore, new democratic devices, such as citizen juries and assemblies, help to make sense of what citizens, rather than experts, value ^[2].

The most recent advancement of foundational thinking happened with respect to social–ecological transformation. The FEC proposed a shift from foundational thinking 1.0, “which focuses on meeting social needs without explicit concern for the environment”, towards foundational thinking 2.0, “which relocates the foundational project within the environmental limits” ^[12] (p. 3). In this sense, the foundational economy is re-conceptualised as “an assemblage of reliance systems specific to time and place which ... collectively secure the well-being of current and future generations” ^[12] (p. 17), avoiding the transgression of planetary boundaries. This is today’s key challenge, because “some (but not all) foundational activities are environmentally burdensome” ^[12] (p. 7). Foundational thinking 2.0 seeks, first, to extend low-carbon services such as education, health, and care ^[12] (p. 8). Second, it aims at “cleaning-up” the high-carbon foundational sectors of food, mobility, and housing, which inter alia “means diet reform, housing decarb, zero-emission cars and fewer cars” ^[12] (p. 9). Third, it proposes “new kinds of foundational systems designed intentionally to promote low-carbon material substitution, tackle carbon sequestration and support biodiversity”, e.g., through afforestation ^[12] (p. 9). (For a report about building a new resource reliance system, the wood economy, in Wales, see ^[13].)

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