

## **The Foundational Economy for a Good Life**

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The Covid-19 pandemic has shown that some economic sectors are more important than others for meeting our basic needs and making a “good life” possible. The foundational economy – education, health and social care, utilities, and retail – is crucial to ensure a sustainable future for our societies.

The crisis has shown the importance of certain economic activities. It has also demonstrated the limits of a radical market economy, throwing into sharp relief the advantages of universal, collective service provision via a public health system compared to systems in which the fulfilment of basic needs is conditional upon the ability to pay.

In this way, the pandemic has offered new ways of seeing the economy, work, and contribution. A return to “business as usual”, as we did after 2008, would be a mistake. Valuable lessons from the “pandemic economy” could transform post-pandemic economies and make them more sustainable. However, learning these lessons requires two things: first, a good understanding of market liberalism, which provided the ideological underpinning for liberalisation, privatisation, and financialisation. And second, a vision of a different economic order and strategies for responding to future crises in an effective and socially just manner. This vision can be found in strengthening the “foundational economy”, the everyday economy, which includes large sections of public services and utilities.

### **The narrowing of the economy**

The neoliberal triumph of the 1980s radically changed ways of thinking and acting. It was particularly visible in three areas. First, an outward-looking orientation dimmed the focus on the domestic economy. New markets were created and existing ones liberalised, including various markets for basic services. The guiding principles were the creation of attractive conditions for international capital, as well as efficiency, optimisation, and high corporate returns. Second, a mixed system was replaced by a market-economy system, reducing diverse economies to uniform (global) market economies. Third, macrosocial objectives were replaced by individualised wants and preferences, the common good by self-interest.

Consequently, human rights from healthcare to education to housing became marketable goods and services. These goods and services are produced by private enterprises and purchased by individual consumers on the market. Individual responsibility now meant “emancipation” from collective security systems, for example through private pensions and health insurance, home ownership, and investment in personal “human capital”.

This narrow understanding became not only widespread in the economic sciences but triumphantly advanced into ever-new fields of human coexistence. Gary S. Becker and Guity Nashat Becker pushed this thought to its logical conclusion in their 1996 book, *The Economics of Life*.

A one-sided emphasis on individual optimisation, however, undermines social cohesion, solidarity, and resilience. Of course it makes sense to identify savings opportunities – for example in the healthcare system. But an unbalanced focus on efficiency in basic services has deeply problematic consequences, particularly when unforeseen events arise. The Austrian Court of Audit’s long-standing demand to reduce “inefficient” overcapacity

in intensive care beds was revised at the beginning of the Covid-19 pandemic in recognition of this.

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The experience of Covid-19 has underlined the shortcomings of these assumptions. It shows that the market can solve some but not all problems, that economies are more than market economies, that social security cannot be viewed solely from the perspective of microeconomic efficiency, and that a rigidly outward-looking orientation can undermine social cohesion. The *raison d'être* of economic activity is ensuring that a population's basic needs – as opposed to individual wants and preferences – are met by the effective management and distribution of resources. Sustainable economic activity stabilises solidarity-based communities, guarantees the free development of its members, and safeguards natural resources and ecosystems. Optimisation is unquestionably helpful, but only if it serves these goals.

To ensure that basic needs are met, even when the unexpected happens, reserve capacity and buffers are essential. This is the polar opposite of a “just-in-time” philosophy.

There is therefore an urgent need for a different, more comprehensive understanding of economics. After all, the fact that the “economy” – understood as companies operating on the global market – is doing well (as measured by increasing growth and trade volumes) says little about the wellbeing of all people in society. It is also a poor indicator of whether societies are crisis-proof, let alone future-proof, and of the planet's ability to sustain life in the face of climate change.

## **The foundational economy for survival**

Not all economic activities are equal. While many sectors were shut down during the crisis, this did not apply to those classified as “systemically important”. This “foundational economy” ensures human survival by providing that which sustains our daily lives such as food, healthcare, water and energy, waste collection, and housing. In simple terms, the foundational economy encompasses the activities that are needed on a daily basis, including in times of crisis.[1] These include the collective provision of basic services, i.e. the economic activities of caring – for each other and with each other.

The Foundational Economy Collective, an association of (mainly) European researchers, released a manifesto for the post-pandemic period in March 2020,[2] just as the lockdown was beginning. Building on years of research, the collective argues for the renewal of the foundational economy with a ten-point programme. This includes, among other things, stronger public healthcare (including prevention), reformed and increased progressive taxation, and greater public participation in the design of basic services.

The key demand is the improved collective provision of a sustainable, socio-ecological infrastructure instead of a return to pre-crisis levels of individual consumption. What we need is not reconstruction, but transformation: of the crisis-prone pre-Covid-19 economy into a sustainable economy. This is the only way to improve our resilience and be prepared for new crises.

The extent to which the foundational economy's essential goods and services can be organised along market lines is limited. A particular problem is that, in the area of basic services, business models established in the wake of privatisation and liberalisation allowed private companies to access public financing to maximise short-term profits

without making the necessary long-term investments.

Basic services, however, are essential to guarantee the provision of basic supplies, comprising those economic activities that function differently from the global market economy for tradeable goods and services. The long-term safeguarding is therefore of particular importance. Sustainable economies require long-term economic thinking, planning, cooperation, and an approach to decision-making that incorporates criteria such as consistency, sufficiency, and resilience. These criteria are fundamentally different from those that currently prevail: short-term profit maximisation and microeconomic competition.

## **“Bread and roses” for a good life**

Since the manifesto was written, further insights into a sustainable “economy of everyday life” have become clear. During the lockdown we experienced not only what we need for our survival, but also what had been missing from our lives; after all, a good life implies more than just survival. A broader understanding of the foundational economy goes beyond the provision of necessities. The contribution of feminist economics is here key to broadening our horizons. The anthem “Bread and Roses”, a song written by James Oppenheimer to celebrate the women’s rights movement that later became associated with the Lawrence textile strike of 1912, sums it up:

*As we go marching, marching*

*Unnumbered women dead*

*Go crying through our singing*

*Their ancient call for bread*

*Small art and love and beauty*

*Their trudging spirits knew*

*Yes, it is bread we fight for*

*But we fight for roses, too.*

A good life requires not only guaranteeing survival (bread), but also decent working and living conditions (roses). This principle was recognised by the ancient Greeks, whose *eudaimonia* can be translated as “the condition of human flourishing or of living well”. Amartya Sen and Martha Nussbaum used it to develop their theory of the good life, in which individuals are enabled to live well by setting the right framework conditions.

Although not essential for survival, cultural and social institutions, bars, restaurants, hair salons, and green spaces are central to basic human needs. Nevertheless, their classification is more difficult, since the definition of the good life is more porous than that of pure survival. It is contextually different, rests on value judgements, and requires public involvement in decision-making. New forms of participation are essential to identify the conditions, infrastructures, and institutions which are the linchpins of “the good life”. This infrastructure tends to be organised locally or regionally and produces value and well-being “in situ”.

## **Rethinking value in societies**

The definition of what is needed to live well, and what form this should take, cannot be imposed from above. Neither can it be delegated to the market. The question of what kind of economy we want and what purpose it should serve is deeply interwoven with the question of which activities are socially valuable, essential, and critical

for survival, prosperity and the good life, but also which activities undermine these aspirations.

The rethink provoked by the Covid-19 crisis has shaken the neoclassical theory of value to the core. According to the price theory of value, which replaced that of classical economics from Smith to Marx, individual consumer preferences determine demand and, consequently, price. According to this theory, it is (market-)fair that a nurse receives a fraction of the earnings of an investment banker, while purchasing a third car is no different from buying food. In short, it is (market-)unfair to make moral distinctions between necessity, comfort, and luxury. Any activity that attracts individual purchasing power is said to be productive and valuable, regardless of its social value or destructive power.

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To crisis-proof the foundational economy, however, value distinctions are necessary. They allow the conditions for a good life for all to be negotiated democratically. For example, during the Covid-19 crisis, governments published lists of systemically important sectors whose workers are entitled to emergency childcare, thus making value distinctions. These include healthcare and emergency services, retail banking, farming, food retail, utilities, and education.

Looking beyond the pandemic, there is a need for public debate on what makes a good life. We need to identify which economic activities and sectors are crucial, how these can be made available to all, and who will carry out these activities. It is an expression of social appreciation to strengthen these areas and ensure that those who work in them are appropriately remunerated. It is unacceptable that those who are currently fêted as “key workers” and do the lion’s share of the work within the foundational economy – predominantly women – are also the ones particularly affected by unequal opportunities, precarious work, and low pay.

## **Welfare in the face of future crises**

What lessons have we learned during the Covid-19 crisis to help us realign economic policies to deliver a good life for all? It is crucial to recognise the value of the predominantly domestic foundational economy, producing as it does the essential goods and services that ensure quality of life and sustainability.

Renewing and transforming the foundations of our economy means paying attention to those who “keep the shop running” (to quote Angela Merkel). The economic and social value of basic services must not be reduced to their exchange value. Instead, sustainable well-being, and thus use value, must become the focus of negotiations and decision-making processes within societies.

To bring about this change, new and broad alliances are needed: between progressive parties, trade unions, and civil society movements, but also with those Conservatives and Liberals who recognise the importance of collective basic service provision. In Germany, Switzerland, and Austria in particular, the local provision of essential services by public utilities, cooperatives, or inter-municipal partnerships enjoys a high degree of legitimacy, providing numerous points of departure. In this way, a new balance could emerge between a competitive economy geared to the world market and a supply- and welfare-oriented foundational economy. This would both strengthen social cohesion and make it possible for other crises – most critically the climate crisis – to be tackled with the same sense of responsibility, expertise, and solidarity.

## Footnotes

- 1 Davide Arcidiacono et al. (2017). *Foundational Economy: The infrastructure of everyday life*. Manchester: Manchester University Press.
  - 2 The Foundational Economy Collective (2020). *What Comes after the Pandemic? A ten-point platform for foundational renewal*. Available at <[bit.ly/2FTkSrP](https://bit.ly/2FTkSrP)>.
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