

# Foundational Economy: The Infrastructure of Everyday Life – Book Review



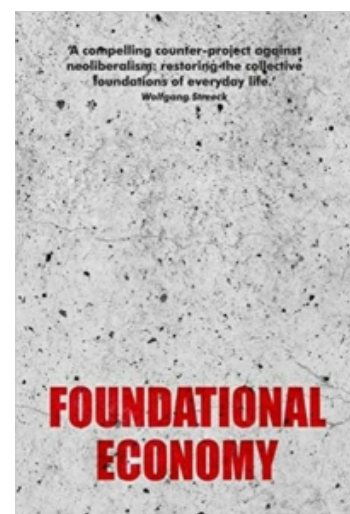
***Foundational Economy: The Infrastructure of Everyday Life.* The Foundational Economy Collective. Manchester University Press. 2018.**

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For some time now, a group of European researchers, led by a team at Manchester University, has been developing a radical new approach to economic thinking and development policy centred on the concept of the ‘foundational economy’.

*Foundational Economy. The Infrastructure of Everyday Life* explains the concept and assesses its value for public policy. It is a short book but offers big ideas. The foundational economy (FE) refers to the basic requirements of civilised life for all citizens irrespective of their income and location. It includes ‘material infrastructure’ – pipes and cables and utility distribution systems for water, electricity, retail banking, etc – and ‘providential services’ – education, health, care and income maintenance.

The book proposes that conventional ways of theorising and measuring the economy render the FE invisible and overlook its contribution to development. Orthodox thinking is fixated on the contribution of hi-tech, knowledge-based industries and property-led regeneration to increases in GDP and provides only a narrow gauge of progress. But, growth in GDP is not translating into improvements in living standards for many households. The model is broken, and we are asked to consider several advantages of a focus on the FE. First, it is welfare-critical for those with limited access to private provision. Second, social provision underpins household consumption – a smartphone requires a regulated mobile network. Finally, the FE is a large employer in sectors like water, energy and elderly care provision, which typically are sheltered from international competition. Moreover, neglected mundane activities such as going to the supermarket provide everyday necessities and can be lynchpins of local economies. In current discussions about industrial strategy, with a few [exceptions](#), the FE is rarely mentioned, but the supply of these services is critical to rising living standards.



From the mid-nineteenth century, local government was centrally concerned with building the FE. ‘Gas and water socialism’ reached its apogee before the Second World War in places such as Hamburg, Vienna and the British [coalfields](#) and in the municipal reforms of the Progressive Era in the US. After the War, the foundations of rising living standards were secured by the expansion of the welfare state, embodying the principle of social insurance. Typically, this extended the reach of central government, severing the FE from its local roots. Since 1980, this post-war settlement has been overturned through privatisation, outsourcing and, recently, austerity. Shortfalls in social provision have been made up via the mechanism of [Privatised Keynesianism](#) through rising household debt or equity withdrawal from appreciating housing assets.

The FE is attractive to investors in an era of financialised capitalism because it offers lower risk and longer time horizons. Markets are largely captive. Private owners or contractors seek high returns through the exploitation of workers, suppliers or customers or through financial engineering rather than investment or innovation. We are left with a rentier model of capitalism in which regulators watch prices and investment, but managers and investors manipulate cash extraction. The authors of the book chart the nefarious outcomes of these processes in the case of the railway and care sectors in the UK and Italy, where the quality of service provision has been eroded.

*Foundational Economy* can be read as an attempt to reclaim, rebuild and transcend the liberal-collectivist tradition of TH Green, John Maynard Keynes, [William Beveridge](#) and TH Marshall, offering a moral vision of an economy focused on establishing the conditions for human wellbeing and flourishing. The citizen rather than the consumer is foregrounded. But, the citizen confronts ever more concentrated and predatory corporate power. The task of public policy is to recognise the limits of competition, civilise capitalism and reassert the public obligations of business. At the local scale, this would represent a marked change from the [regressive property-led regeneration approaches](#) adopted by many cities, measured in terms of the output of glass and steel; or bidding wars in pursuit of elusive mobile investors, epitomised by the [competition between US cities to attract Amazon’s HQ2](#).

The authors propose that outsourcing should be reformed by a system of ‘social licensing’, requiring social returns on investment, placing limits on debt financing and guaranteeing labour standards. The scale and scope of such licences could vary, contingent upon a mix of political struggle, technical innovation and scientific investigation. The authors envisage the FE resting on a mixed ecology of public, private and intermediate providers – in the manner originally envisaged by Keynes and Beveridge but lost in the era of nationalisation. While warning of the dangers of assuming local is always best, they call for local and regional experiments that make the FE visible, debatable and actionable, exemplified by the rise of the global [re-municipalisation movement](#). At the same time, taxing the [huge windfall gains](#) accruing to the owners of land and property provides some of the resources necessary to fund social reconstruction.

Although aimed at practical solutions, the book is rooted in rigorous research and deep scholarship. Among the writers mobilised in the argument are Fernand Braudel, David Edgerton, Gøsta Esping-Andersen, Wolfgang Streeck, Amartya Sen and Martha Nussbaum, giving a flavour of its philosophical roots. Politically, it finds echoes in Rachel Reeves MP’s recent important contribution on the [Everyday Economy](#). The pursuit of brevity means some issues are neglected. The FE is a highly gendered construction – for instance, women are disproportionately employed in some low-wage parts of it – and the implications of this ought to be considered both as a cause of its comparative neglect and to inform strategy. Ecological challenges, globally in the form of climate change and species extinction and locally in the form of the [deteriorating urban air quality](#), suggest the need for deeper thinking about the FE in terms of environmental infrastructures and services.

The governance of the FE also represents a major challenge. Local government in many states has been reconfigured over decades in the narrow service of property-led urban development. The geography of the FE requires consideration. How can weaker economies that lack fiscal, governmental and civic capacity reorient their activity toward the FE? Treasuries remain in the grip of old certainties about markets, competition, productivity and growth. The capacity of the local and central state to fashion an economy based on social licensing is lacking. Voters are increasingly concerned about the impacts of austerity and the rundown of public services, but many also have a stake in the inequities of residential capitalism. Crafting a new, hopeful, pragmatic and progressive narrative around the FE in an age of populist simplicities is an enormous challenge, but *Foundational Economy* makes a vital contribution to the task.



Notes:

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