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Exploring alternative economic pathways: a comparison of foundational economy and Doughnut economics

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ABSTRACT

A number of intersecting crises are currently ongoing at multiple scales, including increasing inequality, environmental degradation, and climate destabilization, as well as new surges of populism and mounting public health threats. These emergencies question our economic model of past decades and provoke a rethinking of the general approach to economic policy from a multi-scalar perspective. In this article, we compare two approaches aiming to rethink economic development policy: foundational economy and Doughnut economics, and consider if and how they complement each other. We conclude that the two approaches are potentially complementary, most prominently in their call for high-income countries to refocus from growth per se to purpose-driven economic strategies that prioritize public services and redistribute incomes. However, they differ in respect to their geographical focus, environmental concerns, and application. To properly address tradeoffs between social needs and environmental effects, foundational scholarship would benefit from deeper engagement with the socioenvironmental perspective presented in Doughnut economics, which stresses the need to consider human-nature interlinkages. In sum, combining different aspects of the two approaches promises to provide a more robust response to contemporary challenges, especially for local policy making.

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Introduction

The 2018 report of the Intergovernmental Panel on Climate Change (IPCC 2018) has made it clear that global greenhouse-gas (GHG) emissions must be halved by 2030, and reach net zero by 2050 to limit global warming to 1.5 °C. Simultaneously, inequality continues to reach unprecedented levels, increasing popular discontent with the political system (OECD 2019; Rodríguez-Pose 2018; Piketty 2014). The current health emergency and economic downturn due to COVID-19 has amplified existing societal challenges. Acting as a poverty multiplier (Olsson et al. 2014), the pandemic illustrates how social and economic inequality materializes in unequal access to social protection and healthcare systems. Given these circumstances, it is not surprising that policymakers, economists, and voters from across the political spectrum are questioning whether conventional economic policies are sufficient to address these challenges.

In recent years, a number of alternative perspectives on economic development have proposed a profound rethinking of economic policy. These approaches include the “foundational economy”

(Bentham et al. 2013) and “Doughnut economics” (Raworth 2017).¹ Proponents of the foundational economy focus on the “part of the economy that creates and distributes goods and services consumed by all (regardless of income and status) because they support everyday life” (Bentham et al. 2013, 7). Consequently, the starting point for economic development policies should be sectors such as health and welfare services, education, transportation, food processing, and retailing. Similarly, Raworth (2017) proposes to drastically rethink the goals of economic policy. By redrawing the economy as a doughnut and visualizing its social and environmental boundaries, she proposes to replace the fixation with growth of gross domestic product (GDP) with priorities centered on social and ecological needs. Using the doughnut (Figure 1) as an orientating metaphor, she points to the need to include multiple social and environmental concerns within economic development strategies.

Both Raworth (2017) and foundational economy scholarship (Barbera and Rees Jones 2020; FEC 2018a) maintain that the primary aim of the economy should be focused on enlarging people’s

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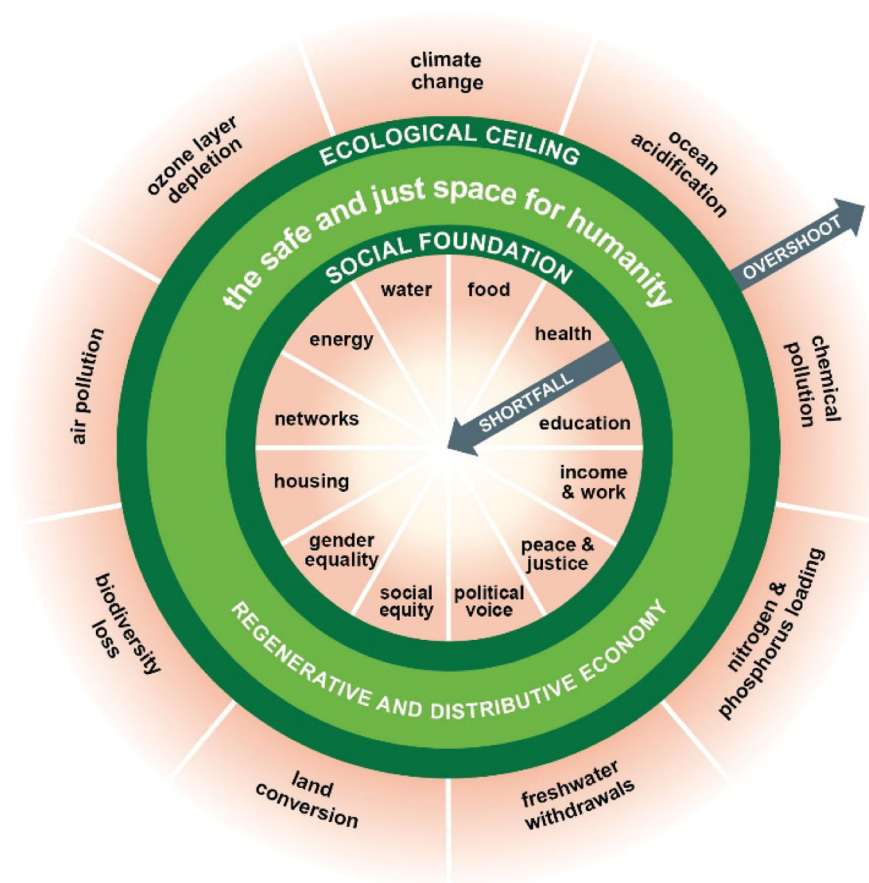


Figure 1. The doughnut of social and planetary boundaries (Raworth 2017, 44). © [CC BY-SA 4.0].

capabilities (Nussbaum 2000; Sen 2001) to participate in everyday life on equal terms, and that such capabilities depend upon having access to the basics of life. Thus, both perspectives highlight the need to evaluate economic relations according to their impact on people's access to necessities such as food, healthcare, education, water, electricity, and security.

This article proposes that these two perspectives provide valuable and complementary insight to economic development research, policy, and practice that is relevant to evaluate experiments and to identify pathways for sustainability transformations, especially for local economies. Rather than developing these concepts in isolated silos, we argue that there is academic and practical merit in bringing them into conversation to avoid fragmented development of closely related, but still different, alternative approaches to economic development. As these development approaches are gaining considerable importance in real world policymaking, there is a need to illuminate their blind spots and highlight the ways that they can complement and challenge each other. Especially, debates on local responses to failing foundational infrastructure and socioenvironmental systems during the COVID-19 pandemic (e.g., FEC 2020; Newcastle University 2021; Morgan 2021; Clerici Maestosi, Andreucci, and Civiero 2021;

Boffey 2020) make it particularly relevant and timely to deepen the theoretical understanding of the two concepts in relation to each other. Consequently, this article aims to compare the theoretical framework, as well as the key policy recommendations, of the foundational economy with that of Doughnut economics. The purpose is to identify areas in need of future theoretical development and practical experiments. We will do this by discussing (non-)complementarities between the two literatures in regard to their critique of the dominant mode of economic policy and the alternatives presented. By focusing on differences and complementarities between the approaches we can identify some of the practical implications of adopting one perspective or the other and the possible ways in which they can be combined.

We first describe the central elements of each approach. Second, we compare the literature in terms of respective strategies of redesigning *economic models, normative goals, and measurements* as well as proposed strategies to deal with challenges of unequal *economic distribution*. While the two approaches share a similar starting point in their critique of prevailing conceptions of economic policy, they differ in some important aspects – not least concerning geographical focus, environmental concerns, and application – of their policy advice. We

especially find that foundational scholarship would benefit from deeper engagement with the socio-environmental perspectives presented in Doughnut economics. Although foundational scholarship has recently started considering the environment as an integral part of this approach (Calafati et al. 2021), it has yet to confront the question of handling tradeoffs between social needs and environmental effects. These differences, and in some cases blind spots, are reflected in their respective policy proposals and will be critically examined in the discussion of this article.

Overview of literature

Foundational economy

The foundational economy approach, first outlined by Bentham et al. (2013), emphasizes the importance of material infrastructures such as the water, food, energy and sewer systems, and welfare services such as health, education, and elderly care. The foundational economy refers to these and similar economic activities as the basic requirements of life for all citizens irrespectively of income. These goods and services are generally a matter of social provision where access to networks and branches – pipes and cables, healthcare centers, schools, and supermarkets – determines possibilities for individual consumption.

The foundational economy is important, both because it addresses the mundane needs of the population and employs a large part of the population. However, these jobs are often characterized by low wages, precarious forms of employment, poor working conditions, and often plagued by long-term underinvestment, poor regulation, and inappropriate business models (FEC 2020). Consequently, the impact of COVID-19 has required governments to intervene in foundational activities, most notably through nationalization of healthcare in some countries or increasing governmental resources to ensure food and shelter for vulnerable groups (Payne 2020; White House 2021).

A main reason for the current need to intervene in the provision of foundational activities is that conventional ways of theorizing and measuring the economy have overlooked the contribution of foundational sectors to development, and investments in foundational sectors have consequently been insufficient (FEC 2018a). During the last 30 years, economic development policy has been fixated on the contribution of high-tech, knowledge-based industries, and property-led regeneration to increase GDP. However, in comparison to foundational provision, growth in GDP does not translate into improvements in living standards for many

households and, unless accompanied by high progressive taxation, has rather led to greater economic inequality (Piketty 2014). Thus, the Foundational Economy Collective (among others Bentham et al. 2013; Bowman et al. 2014; FEC 2018a) (from now on referred to as FEC) attempts to formulate a new ethos for place-based economic development which takes regional preconditions as a starting point for satisfying foundational needs rather than growing GDP.

Seeing that little had changed in economic policies after the financial crisis in 2008, the FEC, a group of (mainly) European academic researchers led by a team at the University of Manchester released its first research report in 2013 arguing for the need to radically rethink British industrial policy. This manifesto and later publications by FEC have thereafter explored the ways in which regional and local governments could use the concept of social licensing, commonly conceived as an informal or formal contract of corporate social responsibility between companies and the community in which they operate, to regulate and demand improvements in the provision of foundational services by private companies. In this way, the arguments made by the foundational economy have obvious synergies with those pressing the case for universal basic services (UBS). Like foundational thinkers, UBS advocates of agree that individual income is not enough when collective consumption matters greatly (Coote and Percy 2020). Since collective consumption of basic services and infrastructure is so central for well-being, UBS proponents assert that these everyday essentials cannot continue to be left to free markets and individual choice. Rather, they suggest governments need to find ways to ensure unconditional access to free, basic public services for all residents.

In addition to providing essential goods and services, foundational sectors share a number of common features that make them particularly important from the standpoint of regulation. First, as foundational services are often distributed through networks and branches of private companies or state agencies that distribute health services, education, utilities, or food, only one or a few providers are generally granted the right to operate and earn incomes from the population in a specific place. Train-service or water providers are obvious examples but also supermarkets, private pharmacies, and healthcare providers are often granted the right to serve geographically delineated places through land-use planning permissions and licensing requirements. These controls limit competition and give corporations in these sectors a quasi-monopoly, with the right to earn incomes from, but few

obligations toward, the local community (Barbera et al. 2016; Bowman et al. 2014).

Second, given the constant demand for foundational services, investments in these sectors have historically made a stable but modest return of 4–5% per year in Europe (Bowman et al. 2014). However, with the growth of asset allocation in the hands of private equity, shareholders have increased their expectations of reasonable returns on capital. Financial market pressure, combined with privatization, has pushed foundational sectors toward delivering substantially higher returns at the expense of workers, suppliers, and customers (Bowman 2015; FEC 2018a).

To support foundational sectors, FEC proposes a place-based approach built on two key mechanisms.

In the initial instance, it recommends introducing formal social licenses for all businesses engaged in foundational sectors. These authorizations, issued and maintained by local governments, would place private businesses under a reciprocal obligation to offer social returns to the places where they operate. A formal licensing system, FEC argues, would make the right to trade in foundational sectors dependent on providing a service and meeting negotiated criteria of community responsibility on issues such as sourcing, training, and payment of living wages. Social licenses would also address financial practices such as limiting the use of debt finance. Although social licensing is not a new tool – indeed, it has historically been used in regulating a range of fields such as media, law, and medicine – FEC contends that implementing it in all foundational sectors would enable local governments to take back control over the sectors that provide for people’s most basic needs.

Furthermore, national governments should change the legal status of private actors and investment vehicles involved in the material and providential domains to “corporate citizens” (FEC 2018a, 102). The more common definition of corporate citizenship refers to internal corporate charters of social, economic, and environmental responsibilities. In contrast, FEC proposes that changing the legal definition would be a way for national governments to externally demand and control that the same ethical standards, which apply for public bodies operating in the foundational sectors, are enforced also for private actors. Rather than renationalizing foundational services, which changes the ownership but not necessarily the practices, FEC reasons that legal reform would make private actors’ responsibilities explicit and morally defensible by subjecting private providers to the same performance expectations as public bodies. Thus, this sort of social license can be defined as an official contract between the

government and foundational corporate actors, making explicit their obligations to support the community where they operate. In common with the movement for revocation of corporate charters (Adbusters 2021), foundational thinkers insist that there is a need for a broad debate over the nature and role of corporations in society. As Cray and Drutman (2005) argue, if we recognize that corporations are public institutions, in the sense that they do not instinctually bear any rights or privileges except those that citizens choose to confer on them, corporate charters would be key to restoring democratic control over them. Revoking corporate charters and implementing social licensing for “corporate citizens” would thus fill similar purposes, that is, to subject the process of granting or withdrawing corporations’ permissions to operate in accordance with certain ethical principles.

Doughnut economics

In contrast to the (social) policy focus of the foundational approach, Raworth’s Doughnut economics (2017) is a broader, theoretical attempt to help policymakers rethink their conceptions of economic development from a socioenvironmental perspective. To newly consider the goals of economic policy, Raworth (2017) proposes a model she calls “the doughnut of social and planetary boundaries” (Figure 1). The doughnut consists of twelve basic human needs, representing our social foundation, and nine planetary boundaries, comprising our ecological ceiling. If we overshoot the ecological boundaries to maintain our social foundation, the planet will not be able to regenerate in the future. Therefore, to maintain our social foundation without breaking through the ecological ceiling of the planet, Raworth (2017) contends that all economic activity should take place in the space right between – in “the safe and just space for humanity.”

Raworth (2017, 212) proposes to move from today’s industrial model built on the logic of “take-make-use-loose” into a regenerative one. She argues for circular design principles where products and services, infrastructures, and businesses aim to have zero environmental impact and even to give back more than they take (Raworth 2017, 217–219).² Importantly, circular designs also need to be underpinned by equity principles because, as Raworth (2017) observes, without redistributive efforts that address the underlying causes of inequality, such strategies will continue to privilege the affluent. Thus, it is equally important to focus on redistributive efforts and to counteract social or political inequalities as it is to enable access to necessities

such as water, food, health, and income in an environmentally sustainable way.

Taking the doughnut principles as the point of departure, the idea is not to provide a policy recipe but rather to help policymakers and planners identify and redesign networks, sectors, and economic activities that overshoot planetary boundaries or do not contribute to the social foundations. As we will discuss further in the next section, an important contribution of Raworth's (2017, 2020) work is that it provides conceptual tools and models that capture to a large extent the socioenvironmental considerations that need to be taken into account by policymakers and planners in identifying and evaluating pathways for more equitable and sustainable economic development policy.

Comparison of foundational economy and Doughnut economics

This article presents a comparison of foundational economy and Doughnut economics, the idea being (1) to synthesize (non-)complementarities between the two perspectives and (2) to identify areas in need of future theoretical development and practical experiments. The aim is not to provide a full review of the literatures but rather to combine perspectives and insights from the main sources of each literature in order to reach new theoretical insights. Therefore, we used an integrative review approach (Snyder 2019) where we considered research articles, books, and other published texts such as research reports, opinion articles, and news media.

Since foundational economy and Doughnut economics are still marginal topics within the academic literature, we used a broad strategy for our search. We retrieved articles and other materials during the first and second quarters of 2020 from the Web of Science and Scopus as well as general search engines. The search terms we used were "foundational economy," "Doughnut economics," and "doughnut economy." We did not use a time span, but included all years. However, we limited the search to include only English records. The academic literature on foundational economy amounted to 47 academic articles, books, research reports, and opinion articles published by researchers in the field. For Doughnut economics, we found that most published material, except for the core book *Doughnut Economics: Seven Ways to Think Like a 21st Century Economist* (Raworth 2017), have engaged with the practical application rather than the theoretical framework of the model. To ensure a deeper conceptual understanding of Doughnut economics, we chose to base this analysis on a close reading of the core book while complementing it by

engaging with the wider economic literature cited in the book as well as more recent policy developments pertaining to Doughnut economics in the face of COVID-19.

We conducted the analysis in several steps. First, we read the selected literature for foundational economy and summarized it according to a number of questions: aim, research questions, methodology, findings, and theories, as well as what places, scales, economic sectors, actors, networks, and institutions are in focus and if any specific conclusions were attained regarding social polarization, underdeveloped regions (we refer here to the political definitions of regions, that is politically governed areas on the subnational level), environmental sustainability, or foundational policy. In the second step, we studied the core book of Doughnut economics and the associated literature mentioned above to identify similarities and differences between the two perspectives in relation to the abovementioned features. In the third step, we revisited the literature to identify main themes through which we could capture, explain, and contrast the primary differences and similarities between the perspectives. In the following sections, we present the results of this analysis and structure it according to the identified themes (Table 1).

Economic model

Economic design

In *Doughnut Economics*, Raworth (2017) argues that key models of neoclassical economics have permitted economic policy to put growth at the top of the agenda by separating the market from social and environmental systems. To provide a model that better explains the actual costs and dependencies of the economic system, she uses an image of the economy's embeddedness in social and environmental systems divided into four sections: commons, household, state, and market (Raworth 2017, 71). This model differs from neoclassical economic theory in three ways.

First, Doughnut economics highlights that the economy is dependent on commons, that is, free and open resources such as environmental goods and services and knowledge. As Herman Daly (1977) first observed, Raworth highlights that the economy is embedded in the environment and depends on the Earth as a source – extracting finite and renewable resources, but also as a sink for its wastes (Raworth 2017). Equally, knowledge is the foundation for all industrial and economic activity. Since commons are central for our well-being and for the economy to work, Raworth asserts that they

Table 1. Key characteristics of the two approaches.

		Doughnut economics	Foundational economy
Economic model	Economic design Conceptual model Dimensions/sectors central to the economy	Regenerative and distributive by design Socioenvironmental system Social foundations: food, health, education, energy, water, housing, networks, income and work, peace and justice, political voice, social equity, gender equality. Ecological boundaries: the nine planetary boundaries established by Rockström et al. (2009)	Collective provision Social system Material foundational economy: e.g., gas, water, transportation systems, and food. Providential foundational economy: e.g., healthcare, education, social care, police, public administration
Normative goals and economic measurements	Economic metrics	Change from GDP measurements to plurality of metrics which say something about the distribution and quality of economic growth, the plurality of economies, and the hidden values of social reproduction and ecosystem services	Move from short-term measurements of point values, such as quarterly earnings reports, to indicators of long-term values for residents
	Economic goals	Ensure everyone's right to the basic social foundations without overshooting the ecological boundaries	Ensure access and quality of foundational provision to all residents
	Growth	Push the economy toward absolute decoupling of GDP from nonrenewable resources or transition to a low- or degrowth economy	Limit growth within foundational sectors
Economic distribution	Innovation	Steer funding and loans toward social and green innovations	Shift focus from exogenous to foundational sectors
	Social polarization	Redistribute the value of land, money, labor, technology, and knowledge	Provide access and quality of foundational services to all Ensure good working conditions within the FE
	Geographical inequalities	Channel part of development aid directly to people living in poverty, introduce global corporate taxes to increase revenues for public services in developing countries, and create global knowledge commons	Focus economic development policy on foundational activities, which are present everywhere
	Mechanisms for redistribution	Reform ownership of land, money, labor, technology, and knowledge to balance incomes Reform tax systems to distribute incomes from wealth	Establish a social license system for corporations in foundational economy sectors. Finance investments in foundational economy infrastructure through taxes on wealth

are best managed and shared collectively rather than privately.

Second, the embedded economy model highlights that reproductive and unpaid work in the household are essential to human well-being and that productivity in the paid economy is dependent on these care activities. Reproductive work such as child caring, cooking, and cleaning has traditionally been undervalued and detached from considerations in economic policy. This disconnect has sustained and exacerbated inequalities between men and women and recent research suggests that the COVID-19 crisis and its subsequent shutdown responses have resulted in dramatic increase in this burden (Power 2020). As Power (2020) has noted, it is likely that the negative impacts for women and families will last for years without proactive interventions. To reverse this trend, Raworth (2017) insists that the mutual relationship between reproductive work and productive work needs to be considered when designing economic policy.

Third, it demonstrates the central role of the state in enabling economic development and the need to strengthen its role in the face of current challenges. For example, Raworth (2017) highlights that despite

increased outsourcing of state responsibilities during recent decades, many welfare functions are still heavily subsidized or directly funded by governments. Governments are involved in enabling innovation, especially in high-tech sectors through direct funding, tax-relief incentives, and infrastructure investments in public-private partnerships (Mazzucato 2015).

The FEC criticizes dominant neoclassical economic models on similar grounds by arguing that conventional ways of theorizing the economy have been overly focused on the tradable and competitive economy, thus overlooking other areas in the economy central for well-being. However, in contrast to Raworth who maintains a more abstract conception, FEC argues that the problem is that specific, non-foundational sectors and industries have been consistently privileged over foundational ones during the last 30 years. Research and development-intensive industries are regarded as carriers of innovation, high productivity, and renewal through inward investments, and policymakers consequently consider them more central to economic development than foundational sectors (Fothergill, Gore, and Wells 2019, Hansen and Winther 2011, 2014).



Figure 2. A zonal schema of the economy (FEC 2018b, 7). Reproduced by permission of Julie Froud.

This emphasis has bred interregional competition for a few industries which give little back in terms of actual employment, well-being, and increased incomes for the bulk of the population (Lee 2011; Lee and Clarke 2017; Lee and Rodríguez-Pose 2013).

Instead of narrowly focusing on these sectors, FEC (2018a) proposes that economic policy should take into account the full extent of the economy, and its central aim should be to ensure a minimum standard of foundational infrastructure. To depict this form of economic design, they draw a zonal schema of economies (Figure 2). Zones are distinguished by forms of consumption of goods and services, which are more or less foundational to well-being. The economy of the household is core as this is where the most fundamental needs such as eating, sleeping, and unpaid caring take place. The foundational zone refers to the part of the economy that provides the goods and services that all people need to consume in their everyday lives. In contrast, consumption that is less foundational to our well-being takes place in the overlooked mundane economy and the tradable and competitive part. As highlighted by Ap Gwilym (2019), these definitions are open to some interpretation, and the resulting economic importance of the foundational economy may vary depending on classification choices. There is, thus, an interpretative flexibility in terms of which forms of economic activity are actually considered foundational.

Conceptual model and dimensions/sectors Central to the economy

Conceptually, Raworth's (2017) economic model is fundamentally different from the foundational economy model. While the foundational model almost exclusively focuses on the social sphere, the doughnut formulation emphasizes that providing for the

social foundations also needs to happen without damaging Earth's life-support systems. In line with many ecological economists (for example, Daly and Farley 2011), Raworth (2017) highlights that the economy is not a self-reproducing system, but an open system with constant in- and outflows of energy and material. Consequently, economic policy needs to integrate social and environmental concerns rather than considering them as separate issues. Hence, the doughnut model can be seen as an extension of the foundational approach, integrating many of its social concerns but encouraging deeper thinking of how to incorporate environmental issues into policies for the foundational economy. On one hand, work on the foundational economy has been criticized for overlooking the unpaid part of the economy (Bärnthaler, Novy, and Plank 2021). In contrast, Raworth (2017, 79) argues explicitly that unpaid care work needs to be reevaluated as "it comes first every day, sustaining the essentials of family and social life with the universal human resources of time, knowledge, skill, care, empathy, teaching and reciprocity." As such, the doughnut model also emphasizes the urgent need to reevaluate care work by bringing it to the forefront of transformative economic policies.

On the other hand, foundational thinking adds to the doughnut model the idea that how we go about providing the social foundations is important in itself. Ensuring equal access to foundational infrastructure requires that foundational sectors be regulated by national and local governments in a different way than non-foundational sectors. This in turn, requires prior critical analysis of corporate business models as well as practices of policymaking that have dominated during the last three decades (FEC 2018a). As Bärnthaler, Novy, and Plank (2021) point out, although solely strengthening and regulating foundational sectors will not fundamentally break with the principles of capitalism, such measures will help strengthen economic principles other than the logic of market exchange. In turn, this moves us closer to an economy within the social and environmental boundaries that Raworth (2017) presents in her analysis.

Normative goals and economic measurements

Economic metrics

Growth of GDP has long been the leading measurement of economic well-being (Stiglitz, Sen, and Fitoussi 2009). Similarly, the related metric gross value added (GVA) is used to compare economically "successful" and "unsuccessful" countries and regions. Like other feminist and green critics of these metrics (see, for example, Sen 2001; Waring

1988; D’Alisa, Demaria, and Kallis 2015; Tkacik 2015), Raworth (2017) highlights that, despite the appearance of a scientific approach, the very calculation of GDP relies on several assumptions and excludes everything that cannot be quantified in monetary terms. For example, by treating unpaid care work and ecosystem services as externalities in calculating GDP, it fails to recognize that inequality and environmental degradation are the cost of certain economic policies. However, more importantly Raworth (2017) argues that we need to stop relying on GDP as the only metric of economic well-being. Rather than improving the GDP metric, she proposes a shift to a plurality of economic indices that measure both social and environmental aspects of economic activity. Although Raworth (2017) never explicitly formulates an alternative metric in her book, the doughnut has been used as a dashboard of metrics in practical implementations of the model (O’Neill et al. 2018; Raworth 2020).

Similarly, FEC (2018b) proposes that the problem with privileging GVA in economic policy is not simply about inclusion/exclusion of different types of activities, but more fundamentally that economic activities are heterogeneous and incommensurable. The most important distinction that FEC argues should be included in economic metrics is that between earned and unearned incomes. Simplified, earned incomes are what employees and self-employed people get for producing goods and services that have use-value while unearned incomes are extracted by those who control an already existing asset such as land, infrastructure, or intellectual property by charging for its use through rent (Sayer 2020).

Methods for carrying out GVA accounting do not differentiate between the two types of income. Therefore, FEC (2018b, 5) contends that it falsely encourages a “productionist” view of the economy, one which assumes that income is primarily earned from making physical outputs or delivering useful services. Because GVA is taken as a measurement of success, it hides the fact that much GVA growth in “successful” cities, countries, and regions comes from unearned incomes accumulated in an increasingly unaffordable housing market and not necessarily from increased productivity or rising labor incomes (Christophers 2019; Hudson 2015; Sayer 2014). To measure development differently, FEC (2018b) proposes a metric based on households’ access to foundational provision. This metric is based on the idea of “foundational liveability,” that is the matter of ensuring access to and affordability of UBSs (see, e.g., Coote 2021). The argument is that gross or disposable household income needs to be put in relation to the costs of foundational

provision such as housing and food. Thus, this metric considers the residual income of households, obtained by subtracting housing and transportation costs from disposable income, and adds it to a measurement of collective investments in foundational infrastructures and public funding of free or subsidized services.

Economic goals and the question of growth

More central than changing the way we measure the economy is, however, the reasons for why we measure it. Central to the thesis of foundational economy and Doughnut economics is a critique of the fixation with growth in the economy. According to FEC (2018a), the idea of profit maximization is particularly damaging for foundational sectors as it encourages strategies to generate short-term profits and discourages long-term investments, which are ultimately necessary to sustain these sectors. The singular focus on growth also makes high-growth non-foundational sectors more attractive than foundational sectors to policymakers who want to realize conventional notions of economic development. Instead, FEC calls for policymakers to think of economic development from the perspective of local livability, to prioritize foundational over non-foundational sectors, and to introduce social licensing to limit profits and guarantee social benefits to the communities in which key actors are located. As such, FEC provides an alternative not only to traditional growth-focused economic development approaches but also to degrowth and post-growth thinking, which argues for limits to economic growth. Rather, a central suggestion in foundational thinking is to prevent excessive rent extraction in foundational sectors that tend to deliver stable, but moderate, growth (FEC 2018a).

In contrast to the undivided social perspective of foundational scholars, Raworth (2017) also brings attention to the environmental constraints that limit continual growth. To ensure that we keep within the planetary boundaries, she points to the importance of restraining the use of nonrenewable resources in all sectors. Based on the latest predictions of climate change and environmental degradation, she notes that policymakers generally have the choice between pursuing absolute decoupling of GDP from nonrenewable resources or transitioning to a low- or degrowth economy.³ Although Raworth is clearly sympathetic to the idea of degrowth, she highlights that there are many developing countries where growth is necessary to ensure people’s basic needs are met while it is less necessary in advanced economies. Similarly, there are sectors that need to grow during the transition to a low-carbon economy while others need to shrink. In this way, she

contends that there is a need for a kind of selective growth with the purpose to keep within the planetary boundaries while ensuring social needs are met. Nevertheless, if continued growth – even in just a few selected sectors and places – is to be compatible with achieving ambitious climate and sustainability targets, she contends that by logical necessity it has to be followed by a “sufficient” absolute decoupling of GDP from the use of biophysical resources and/or emissions (Raworth 2017, 260). She further highlights that many high-income countries have so far failed to achieve any absolute decoupling and even in those cases where some period of absolute decoupling has been achieved (see Endnote 3 above), their emissions have not fallen nearly fast enough. Thus, by making the differentiation between absolute decoupling and “sufficient” absolute decoupling – a distinction that is often missing in the green growth debate – she claims that there is a necessity to set relevant standards that are “sufficient” to keep within the planetary boundaries.

Innovation

In Raworth’s (2017) theory, innovation plays a central role in allowing us to stay within the doughnut. However, similar to recent attention in innovation studies toward transformative change, innovation is not itself considered advantageous and automatically worthy of policy support (Schot and Steinmueller 2018; Soete 2013). Rather, in line with thought around directionality in innovation policy (Grillitsch et al. 2019; Weber and Rohracher 2012), Raworth (2017) emphasizes the need for supporting specific types of innovation, namely open-source products that contribute to a greener and more equitable society.

Comparatively, innovation takes a less central role in the foundational approach. While proponents recognize that innovation has historically been important for allowing foundational sectors to deliver higher-quality services, novelty is rather exogenous to the foundational economy approach: foundational sectors are characterized as technology-using sectors which implement innovations developed in other parts of the economy. In fact, FEC (2018a) is skeptical about embracing the importance of innovation, as this has often been translated into policy emphasis on certain traded activities, in particular knowledge-intensive business services and high-tech industries. Consequently, in the eyes of the FEC, the focus on innovation as the foundation for economic development has contributed to the neglect of foundational industries. However, Coenen and Morgan (2020) and Hansen (2021) suggest that there is a need for more attention to innovation in the foundational economy,

including understanding the possibilities for supporting territorially grounded need-based innovations.

Economic distribution

Social polarization

Income and wealth inequalities have been on the rise in most advanced economies during the last three decades. Most researchers throughout the world would also likely agree that global income inequality is high, although different regions show different patterns. Part of the current trend has been the increase in extreme wealth of the top one percent of global population (Milanovic 2016). To counter the trend of social polarization, governments are offering measures that include everything from universal basic income (UBI) to lowering taxes or investing in the upskilling of workers. This is encouraging, Raworth (2017) argues, but may not go to the root of the problem, as the real affliction is not income inequality but rather asset inequality. She particularly highlights that ownership or access to assets such as equity shares, certain types of land, education, and patents are what enables income generation and wealth creation. Consequently, to address global economic inequalities, Raworth (2017) insists that control over these assets has to be redistributed through a combination of new regulation, taxation, and other redistributive policies. While she gives many examples of pioneering initiatives, which serve as inspiration and anecdotal evidence of alternative and fitter economic practices, she does not, however, provide any elaborated thinking on how a portfolio of interventions could provide a suitable policy mix or how they should be governed to effectively counteract social polarization.

While FEC agrees that individual incomes and wealth are important, the collective contends that on a local scale, access and quality of foundational services may be more central to counteract trends of social polarization. For example, neighborhoods with access to healthy and high-quality food, public transportation, and free-at-point-of-use healthcare, allow residents to take care of their physical and mental welfare and to access employment opportunities (FEC 2018a). As these assets are distributed through branches and networks, individual income increases do not make them more accessible, unless people move to areas with better access and quality. Therefore, in common with UBS advocates (Coote and Percy 2020), FEC has argued that policy discussions about social polarization should also consider how to equalize control over, access to, and quality

of foundational assets, including the improvement of working conditions within these sectors.

Geographical inequalities

In terms of geographic inequalities, Raworth (2017) primarily focuses on redistributive mechanisms at the global and national scales in her book *Doughnut Economics*. She explains that the double challenge that we face in the twenty-first century (Raworth 2017, 4) is to address growing income inequality and high ecological footprints in the global North while simultaneously ensuring sustainable forms of economic growth in the global South. Tackling inequality is key to getting within the doughnut, which implies addressing resource inequalities in production and consumption between countries. Taxes and transfers, such as a global wealth tax, global corporate taxes, or cap-and-trade programs are important measures to achieve this objective. Targeting the long-term disadvantages of developing economies also requires transfers of wealth in a broader sense, including knowledge, land, and technology. Although the local scale is not absent from her analysis, it is primarily by expanding the practical application of the model through the Doughnut Economics Action Lab (DEAL 2021) that local level perspectives have come to the forefront. The understanding and application of the doughnut framework at this scale has rapidly developed during the last two years (see, for example, Derkenbaeva et al. 2022; Crowley et al. 2021). One of the frontrunners in the implementation of Doughnut economics on a municipal level is Amsterdam (City of Amsterdam and Circle Economy 2019).

In contrast to the global-to-local perspective of the doughnut economy, the foundational approach focuses on geographic inequalities between and within regions in advanced economies. Thus, while the foundational economy is presented as a general approach to development, it provides particular attention to development at the regional scale (Hansen 2021). To counteract long-term disadvantages of lagging regions, FEC proposes a place-based approach to regional and local development predicated on foundational sectors (see also Nygaard and Hansen 2020). Rather than concentrate on attracting knowledge-intensive business services and high-tech industries through tax relief or massive investments in infrastructure, lagging regions should start with industries that are already present and of importance, i.e., industries that provide for everyday necessities and contribute to the well-being of the local population. While this approach does not automatically ensure successful development outcomes due to, for example, lack of

governance capacities in lagging regions (see Hansen 2021), it arguably provides an improved starting point.

Mechanisms for redistribution

The FEC proposes that the system of social licensing could function as a mechanism for redistribution. It would extend social influence over foundational sectors by placing corporate actors under explicit obligations to the communities where they operate, addressing both financial practices and working conditions for employees. Under these circumstances, social licensing could redirect profit streams from shareholders to local communities and allow for better provision of foundational goods and services. They also propose that investments in foundational infrastructure could be covered through tax reforms such as progressive income taxes or land-value taxation. To design a fair system of land-value taxation from the perspective of foundational provision, FEC draws on the idea of a graduated land tax. Graduated land taxes are based on a schedule that progressively shifts the local tax burden from lower valued to higher valued properties, which makes sense from a foundational perspective as higher valued properties are generally centrally located with good access to foundational services such as transportation, healthcare, schools, and so forth. As Cohen (2019) notes, this could also have additional climate benefits as higher valued properties are generally larger than lower valued properties, which typically correlates with higher energy use as well as embodied energy associated with building materials. Thus, more equitable forms of land-value taxation could be a way to simultaneously reduce social exclusion arising from uneven developments in the property market, more fairly tax the use of foundational services, and achieve climate benefits.

While FEC presents a rather specific proposal for how market reforms and tax regulation could extend social influence over everyday necessities and redistribute wealth generated within foundational sectors, Raworth's (2017) proposal for redistribution is much broader and less specific. Drawing on a collaborative approach, she proposes several instruments to organize ownership and control over wealth according to more polycentric principles (Table 2). For example, she suggests that cooperatives and other democratic business models would give people greater control over their own labor, thereby incentivizing more equal distribution of incomes. Further, she posits that the design and purpose of investment finance needs to be rethought in ways that question the norm of profit at all costs and rather see it as something that has to be

Table 2. Key policy recommendations by Doughnut economics and Foundational economy.

	Doughnut economics	Foundational economy
Civil society participation	Support open-source collaborative knowledge commons online and offline	Ask residents what they want so foundational policy results from a conversation, not a top-down agenda
Market regulations	Refine and expand corporate social responsibility to include broadening of ownership and decision-making rights through cooperatives and other democratic business models	Extend social influence over businesses by adopting social licensing for all large corporations (public, not-for-profit, and private) in foundational sectors
Taxation	Experiment with new or support already existing strategies to redistribute land values such as land-value tax or common land. Switch from taxing labor to taxing the use of nonrenewables and wealth. Introduce universal basic income for the world's poorest population and those who will lose their jobs from automation (financed through e.g., robot dividend)	Reinvent taxation by increasing taxation on land-value and wealth to secure revenue base and investments for foundational services. Use taxes to fund universal basic services rather than universal basic income
Finance	Redesign investment finance by (1) reserving the creation of money to central banks and steering investments toward public and low-carbon infrastructure (2) expanding the use of alternative currencies to support local development	Use social licenses as an explicit arrangement to steer investments to foundational infrastructure and govern the financial practices of firms, e.g., limit the use of debt finance
Governance	Identify governance mechanisms that balance and respect all parts of the economy: market, state, households, and commons	Build hybrid foundational alliances with intermediate institutions because government is not always benign or competent

considered, but not at the expense of human rights, environmental standards, and community. By redirecting credits and savings into productive investments that deliver long-term social and environmental values, Raworth (2017) argues that more money could be designated to long-term collective investments such as affordable, carbon-neutral housing and public transport infrastructure.

Governance

In terms of economic governance, Raworth (2017) and FEC agree that it is necessary to rebuild, and in many cases extend the traditional responsibilities of the welfare state while increasing the number and diversity of small- and medium-sized enterprises (SMEs) and prescribing a more active role for citizens and other residents. Raworth (2017, 84–86) emphasizes that the state needs to take on the role of the “supporting actor” to move us within the planetary boundaries. For example, this means enforcing environmental protections, regulating markets, and supporting early-stage innovation in sustainable goods and services. She also emphasizes the need to empower citizens and other residents to engage in public debate and to develop grassroots innovations by making access to knowledge resources easier through, for example, free open-source platforms. Recent developments pursued by the Doughnut Economics Action Lab (DEAL 2021) to implement the doughnut in cities and regions have emphasized the central role and responsibility of local governments in driving sustainability transformations.⁴

As a place-based approach to development, FEC similarly contends that to deliver actually transformative local policies it is important that municipal or regional governments lead the process. However, the collective also stresses that it is equally

important that coalitions of actors on multiple scales carry out the implementation and that these initiatives should involve regional governments, intermediary organizations, residents, and businesses. Ideally, FEC posits that a foundational agenda should emerge from conversations with citizens and other residents where decisions on investments in foundational infrastructures are determined according to local needs and assets. However, the FEC has yet to elaborate exactly how such processes should be organized and structured.

Conclusion

This comparison shows many similarities and potential complementarities between foundational economy and Doughnut economics, most prominently in their call for high-income countries to refocus from growth per se to purpose-driven economic strategies that prioritize public services and redistribute incomes. However, a closer examination of the analytical frameworks underpinning the two approaches also highlights significant differences, and in some cases blind spots, particularly in terms of the application of the two approaches, environmental concerns, and geographical focus.

A fundamental difference is the intended application of the two frameworks. While the doughnut model is primarily designed as a heuristic to help policy makers, businesses, educators, economists, and others find new ways of conceptualizing the economy, the foundational approach is a concrete policy prescription to redistribute incomes and redirect economic policy objectives toward foundational sectors. These differences are reflected in the way that the two frameworks have been used so far. Recently, the doughnut has been translated into several “City Portraits” and received considerable

attention among municipal leaders and policymakers in, among others, Amsterdam, Copenhagen, Portland (Oregon, United States), and Birmingham (UK), as a tool to explore place-specific interventions for a more sustainable economy in the aftermath of COVID-19 (Boffey 2020; Raworth 2020). In comparison, the Welsh government implemented the foundational approach in 2017 in preparation for the eventual economic impact of Brexit. This has generated a number of projects that support job development and SMEs in foundational services and mobilized governmental funds to support development and innovation in foundational sectors, especially in healthcare (Welsh Government 2017; Business Wales 2020). Thus, the high level of abstraction of the doughnut model allows it to function as a flexible, guiding framework, while the foundational economy approach is much more prescriptive.

However, the different levels of abstraction do not render the two approaches incompatible, but they are rather complementary in the sense of highlighting different aspects of what economic strategies need to take into account to address contemporary social and environmental challenges. For example, by distinguishing between foundational and non-foundational sectors of the economy, the foundational approach provides fruitful ground to move from mere analytical recognition of the social foundations (as in the doughnut model) to a guiding framework for policymaking. Although we argue that the foundational approach can be criticized for a lack of more diverse policy instruments, its proposal for social licenses echoes Raworth's (2017) call for a redistributive economic model focused on improvements in living standards for households rather than GDP growth. Contrastingly, while Raworth (2017) provides little attention in terms of actual policy proposals, her heuristic approach to rethinking economic models highlights some neglected issues which the foundational approach fails to address in its pursuit of pragmatism. Most clearly, the planetary and national scale of analysis on which the doughnut model is based (see also below) enables Raworth (2017) to take a holistic perspective of the economy. Instead of viewing markets as isolated, she points to the importance of considering other segments of the economy: households, governments, and the commons (nature *and* knowledge commons) as well as their embeddedness in larger social and environmental systems. This scale of analysis is useful to help us move from siloed to complex system thinking. Especially, it enables us to see the interlinkages and broader implications of specific policy proposals on different

spheres of the economy, for example the environmental implications of a social licensing system.

A more central critique which surfaces through comparison with the doughnut model is that, so far, environmental and climate concerns have not been thoroughly addressed in the literature on the foundational economy. On one hand, generally speaking, social consumption of foundational services is less carbon-intensive than individual consumption, partly because these sectors are less dependent on long-distance supply chains than sectors involved in global competition (Sayer 2019). On the other hand, while foundational services such as education, health, and care are in and of themselves low-carbon sectors, there is a difference in the relative degree of material and resource intensiveness between them and other foundational sectors such as food, mobility, and housing. Indeed, foundational goods such as household energy and food, which make up a large part of the energy and agriculture sectors, are some of the largest emitters of GHGs (WRI 2020). Because production and consumption of foundational goods and services are so central to the foundational strategy, it is surprising that little attention has been paid to how considerations of climate-change mitigation and environmental obligations can be integrated into such an approach. Sympathetic critiques of the foundational economy have highlighted the need for broader policy mixes (beyond social licenses) to stimulate transitions of foundational sectors toward environmental sustainability. Hansen (2021) especially notes the lack of consideration for priority-setting mechanisms in situations where social and environmental aims are in conflict with each other. Further, Bärnthaler, Novy, and Plank (2021) emphasize the importance of considering adaptation of democratic institutions to allow for a governance mode that provides greater attention to ecological issues.

While the FEC has recently started to consider the environment as an integrated part of what is being termed Foundational Economy 2.0 (Calafati et al. 2021), this work mostly stresses the importance of finding ways of delivering social improvements in environmentally sustainable ways. In other words, this recast formulation does not really confront questions pertaining to the handling of trade-offs between social needs and environmental effects. This situation foregrounds that a fruitful area for future research as a necessary next step for the foundational economy is to explore how a social license system could reconcile the meeting of foundational needs with environmental sustainability, particularly when it comes to regulating and controlling foundational sectors dependent on long-distance supply chains. In this regard, the doughnut

model (Figure 1) can also be useful as a guiding framework to explore how innovation could be directed toward more effective and circular forms of resource use while enabling the extension and improvement of foundational infrastructures.

Further, Raworth's (2017, 71) model of the embedded economy could help in designing a foundational policy agenda, especially in response to issues surfaced during the COVID-19 crisis, to positively affect not just foundational sectors but also households and state finances. For example, tax reforms on high incomes and wealth could greatly improve the capacity of government to raise revenues for, defend, and extend foundational services such as health- and eldercare. Moreover, using social licensing to regulate the provision of care locally would have the additional impact of increasing earnings and job quality in an industry overwhelmingly populated by women. Furthermore, if all large corporations were automatically brought into a regime of social licenses when they receive stimulus support, governments could quickly impose social and environmental obligations on a large scale (FEC 2020).

To successfully formulate ecologically sustainable programs for equal social protections and provisions is an objective that is not easily achieved, and we do not claim to know the consequences of large-scale implementation of either the foundational or the doughnut model. There is, however, an urgent need to begin a discussion of how foundational provision can lead to action on both global and local scales in terms of decarbonization and social improvement. This is why Raworth's work (2017), especially, is worthy of closer interest by policymakers and scholarly proponents of foundational economy. In comparison to this approach, which has been for the most part only taken up by municipal and regional governments in the UK, Spain, Netherlands, Denmark and Austria, Raworth (2017) highlights that all economic decisions, from the local to the global scale, have to consider our planetary interdependence. Taking this seriously suggests that policymakers should rethink how they formulate programs for foundational provision from a multi-scalar perspective to consider local-to-global interlinkages of foundational goods and services. This could also provide an area for future research. Considering environmental impacts of social provision not only offers an opportunity for increased understanding of the socio-environmental dynamics of social provision on the local scale but also on national and global scales. One of the key insights from our analysis of Raworth's work is thereby for foundational scholars and policymakers to pay closer attention to the social and environmental impacts of foundational sectors not

just on a regional but on a variety of scales extending from the local to global.

In conclusion, there are good reasons for combining the conceptual model of Doughnut economics with the explicit policy proposals suggested by the foundational economy. Combining the two approaches promises to take advantage of the separate strengths of their respective analyses and thereby provide a more robust response to contemporary challenges. Given the current deadlock in terms of accelerating redistributive efforts and rapid low-carbon transitions, and considering the impact of the humanitarian and economic crises of the COVID-19 pandemic, it is crucial to develop social, political, and economic strategies that challenge the status quo. We have made initial steps in demonstrating how this kind of work can deliver richer assessments of the economy's role in society and provide new and plural views on mechanisms to address today's multiple socioenvironmental crises. A practical next step for research and policy would involve specification of how such an integrated approach could be mobilized in specific places, involving a multiplicity of sectors and decision-making capacities. Such an undertaking would inform ongoing experiments with foundational economy and Doughnut economics in places such as Wales and Amsterdam, but also prepare the ground for wider diffusion of place-based alternative economic development efforts.

Notes

1. Other perspectives (not analyzed in this article) include the everyday economy (Reeves 2018) and the economy for the common good (Felber 2018).
2. Ecological economists would argue that achieving zero environmental impact is not possible considering continuous sociometabolic processes, i.e., sheer human existence causes a constant impact on ecosystems (Haberl et al. 2011; Fischer-Kowalski and Haberl 1997). The question should therefore rather be how to create more sustainable human-nature relations.
3. Whether decoupling is actually an option is widely debated. While most studies provide limited evidence of decoupling (Haberl et al. 2020), it might still be an alternative in specific geographic contexts (Stoknes and Rockström 2018).
4. The Doughnut Economics Action Lab is a UK-based community-interest company and online platform that supports and connects communities, educational institutions, cities, businesses, and governments that are working with turning the idea of Doughnut economics into action (DEAL 2021).

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