

Starting from the foundations

Marco Bertorello in conversation with the Foundational Economy Collective/ Jacobin Italia 21 December 20 20

MB: *During crises, criticism of the dominant economy is often as widespread as it is ineffective. Many reassess essential activities and public intervention, but the challenge is to re-inundate the economic system in the round.*

The reality we are experiencing is gripped by growing social injustices, racism, wars between the poor, ecological destruction. The ideas on which to restart a project of change must be reinvented. Because, as well as the end of the left, we have seen profound technological and productive, economic and financial changes in recent years, which have also led to a subversion of international balances. Behind it, in short, there is not only the defeat of real communism and social democracy, but also the assertion of a world that we did not know before. The intention of this magazine is not to wait for a new Marx on the horizon, but to relate and absorb different demands, build a new mosaic for change, find pieces of a political path. Hence, we met with [the Foundational Economy Collective](#), which for some years on a supranational scale has been trying to reflect on possible changes in the economy and in ways of doing business.

First of all, why and where do you begin? What's your story?

Collective: We are a collective that has active members in many European countries, including Austria and Germany, Belgium and the Netherlands, Italy and Spain and the UK. We have many stories, but orientation is common. Our first Manifesto for Foundational Economics was born in 2013 in Manchester from a discussion involving a group of British, Italian and Spanish researchers linked to the Research Center on Socio-Cultural Change (CRESC) of the University of Manchester. We were concerned about how economic policies that became mainstream in the 1980s and 1990s – the neoliberal experiment – were not spreading prosperity at all as promised by their supporters. Rather, they were generating strong social and territorial inequalities, as well as environmental damage. Many of us have a background in research on the financialization of the economy and businesses. This experience has helped us to understand that, very often, the business models followed by economic actors are at the root of the socio-economic crisis that we are witnessing in Europe. The failure of the foundational economy – that is, of those sectors of the economy that give us access to medical care, food, home, transport and electricity every day – begins when it is interpreted as an economic area in which it is permissible to pursue maximizing profits (or return on capital) in the short term. Instead, we think that when it comes to housing, public transport, food and health care, we need *low-profit or non-profit* business models which instead put quality of service and decent wages for those who work there at the center. This is the opposite of what has been the trend of recent decades.

M.B. *Then let's start here and now, today. The events of recent months have been marked by an impressive phenomenon that will probably change, at least in part, the form of our lives, as well as the economic environment that surrounds us. The health crisis has created a new economic crisis with a very unusual depth, which will probably surpass previous crises like 2008 or even 1929. To give just one idea, the UK Central Bank predicts a 14% fall in GDP by the end of the year, a value that has not been recorded for about 300 years. Although the Bank of England has become famous for its catastrophic predictions, just think of the disaster predicted in the event of a Brexit victory in the 2016 referendum, there is no doubt that the negative figures converge on many sides in a worrying way. The International Monetary Fund (IMF) announced a global recession for 2020 of -3% (in 2009 it had been only -0.1%), with significant peaks in countries such as Germany where -7% is assumed. China itself seems to be almost halting its growth. Your Collective already wrote a platform in March entitled [What will happen after the pandemic?](#) in which you emphasized that "the boundaries of the foundational economy are shown in pragmatic terms by the pandemic, through the list of activities that, during the emergency, cannot be stopped". A sort of disclosure test of which sectors of the economy are, often forgotten, but which precisely in these exceptional times reveal their centrality for ordinary people. A step that, although it is dramatic, could help to establish a new hierarchy of priorities in the economic field and beyond. As if a new economic arena were opening up. What do you say?*

Collective: Yes and no. Yes, because the pandemic is showing everyone – even intuitively – the importance of solidarity and justice in the economic field, making people more aware of how unfair and dysfunctional the current system is. We are all reassessing foundational activities: those that cannot be stopped even during the emergency, because they provide essential goods and services. We rediscover that the quality and accessibility of these basic goods and services – such as health, food, housing, telecommunications and mobility – in large part determine the quality of our lives. And we perceive that it is not right for workers in these important sectors – supermarket cashiers, nurses and many others – to be underpaid despite carrying out essential tasks for society and, right now, such risky duties. All this, while large multinational companies (that contribute little to social well-being) make socially unjust economic choices, make huge profits, have tax offices outside Italy in countries where taxation is low and overpay their managers. Moreover, the pandemic has basically re-legitimized public intervention in the economy, undermining the neoliberal image of the economy as a sphere subject to its own laws not to be altered; an image already questioned by public bailouts of banks following the 2008 crisis.

All this is clearly opening up an unprecedented political and economic space, but, as in the case of the 2008 crisis, the pandemic can also close it down. This period of lock-down will be followed by a strong and prolonged recession, which reduces production and increases unemployment and also offers opportunities to conservative political forces. Public debt will grow after company bailouts and worker subsidies, and profits will be low. Under these conditions, investments are unlikely to automatically come in to improve the foundational economy for those who work there and for the citizens who benefit from it. Large private companies are exerting enormous pressure to be the almost exclusive recipients of public money flows, possibly razing the rest of the labour protection system. The work of

delegitimization and denigration put in place by the mainstream press towards the public sector is more intense than ever.

M. B. I agree that the onset of this new crisis is ambiguous. On the one hand, the difficulties are increasing in relation to the fact that the previous crisis had not yet ended. The latter, then, is not simply the result of a health emergency, if anything the pandemic was the detonator of a crisis that many analysts had been fearing for some time. On the other hand, however, like most crises, it compresses the rates of accumulation, reduces wealth and consequently its distribution. In short, during the crises there is a criticism of the dominant economy as widespread as it is ineffectual. In addition, political contradictions must be added to strictly material contradictions at this time. On the horizon, we do not see a credible critical option, capable of proposing an alternative. A different economic model is imposed when there is a policy, a project that makes change even conceivable and coherent. We are a long way behind on this. It would have been said in an earlier time that there are objective conditions, but not subjective conditions. The road to building the foundations of a project is still very bumpy. But you are trying to get back on the intellectual level, while at the same time trying to find real energy and experiments in the flesh.

Collective: Yes, at the moment there are a great many experiments throughout Europe that foreshadow alternative economic dynamics in the field of housing, food, energy, advanced services and public services, some of which have made great progress in scale and complexity. Among the cases that have had the strongest media exposure is certainly the Barcelona of Ada Colau, who had the courage to make disruptive policies for a global metropolis, such as creating a municipal electricity distribution company to combat energy poverty, stopping evictions and at the same time launching an ambitious plan for the creation of a public and social housing heritage. The stated goal here is not only to cope with the emergency, but gradually to bring Barcelona towards a new housing model where quality social housing will make up 30% of the building stock.

Still talking about housing policies, Berlin is also reversing course after the neoliberal phase of the 2000s. German law gives cities great powers of regulation and intervention. And against the backdrop of strong anti-gentrification movements, Berlin city reintroduced a rent freeze, used the expropriation tool to recreate the public housing stock, and launched a housing plan that includes an impressive 300,000 dwellings. This means that the plan will affect almost a million people, more than the entire resident population of the Municipality of Turin (about 870,000) and a little less than that of the Municipality of Milan (1.3 million).

In recent months there has also been talk of Amsterdam, which has decided to rethink the new development strategy starting with the 'donut' of heterodox economist Kate Raworth. So no more growth and competitiveness, but meeting the basic needs for the whole population and reducing the ecological footprint as keywords. And it should not be forgotten that beyond these glaring cases there are many small and medium-sized towns that are doing equally ambitious things. Ghent in Belgium has a development plan based on the commons while Totnes in England has been working for years on degrowth and redistribution. We still don't know how effective these experiments will be, but it's clear that they mark a change of social imagination.

M. B *These seem to me to be interesting points of reference. In some respects, they are examples that emerge from the rubble of the twentieth century. They push from below, they come out from below. Spontaneously, they constitute the first experiments of counter tendencies that are physically manifest. In my opinion, they are still serving a mainly political boost, from which reference is then made to the political plan to break through, to implement plans for change. They lack an intrinsic force capable, on the one hand, of imposing themselves and at the same time adequately supporting political action, including institutional action. But woe betide you to throw something like this away, perhaps because you have an overly theoretical or, worse, elitist approach. It would be said that these represent post-ideological laboratories. And freshness is seen precisely in experimenting, navigating on sight if you like, compared to the problems we face.*

But what I would like to try to reflect on with you is a limit that I see from the perspective of the foundational economy. I agree that there is an urgent need for a project that puts the human being and her needs back at the center. So I agree with you when in the book presenting the Foundational Economy ([Foundational Economy: the infrastructure of daily life](#), Einaudi 2019) you speak of the importance not only of individual consumption, but of social consumption and how public consumption plays a leading role for the entire economy. I am thinking of infrastructure, for example. This book explicitly refers to the argument that public services consume wealth rather than create it. You state this assumption: 'it is a factually correct and, at the same time, foundationally misleading belief: factually correct because these services are financed by taxes and duties; foundationally misleading because the boundary between production and consumption of tax revenue can be changed by the will of the legislator through the transfer of activities between the State and the private sector, through privatizations or nationalizations.' But are we sure it's just a boundary problem? A new society can be envisaged through a process of strengthening the public sphere, a sphere which, if extended, can help to create further wealth, but I have the impression that it is not enough. The challenge is, yes, to think about how to restore the public sphere to its central place, but in order to be credible and close the circle there is a need to re-think the whole economy. Who and how will it produce wealth? Under what conditions? With what levels of redistribution and at the same time with what new efficiency criteria? These questions raise even more complex dilemmas to which, of course, it is not easy to respond.

Collective: We agree that structural reforms – and certainly not in the neoliberal meaning of the word – are needed to give these experiments a truly transformative character and make them the 'new normal'. But we should not underestimate how some of the experiments mentioned above have already achieved absolutely incredible structural results at local level when compared with what is happening in Italy. In Italy we have not yet seen a housing plan for energy efficiency, architectural and urban quality for a million people in a single city, such as in Berlin. And we have not yet seen a municipal administration that blocks evictions and expropriates building stock with a view to a coherent political and social vision, as in Barcelona.

We are used to thinking of the economy as something that serves someone else's interests – markets, efficiency, spread – for which we have to make sacrifices: work harder, accept cuts in services, adapt to rising prices. The concept of a foundational economy seeks to overturn this vision by emphasizing that there is a very large part of the economy which has an eminently public or collective function, in the sense that its objective is to give health, home, quality food, opportunities for mobility and cultural development to all. When this does not happen – when people do not have access to quality medical services, as in many regions of the South, or when mortgages and rents far exceed salaries, as in many large cities – then the economy does not work, and we must feel entitled to change it. It is clear that even economies that do not meet basic needs such as food, health and housing – for example, tourism or entertainment chains – are dysfunctional when they feed rent extraction, create low-quality jobs, offer products that are accessible to the few. And then the environmental and climate emergency presents us with the need to rethink the whole economy to bring it back within those planetary limits that we have violently overtaken. So, of course, what is at stake goes beyond the foundational economy and concerns the reorganization of the whole economy. But we need a strategy and here the foundational economy offers us a solid starting point, politically and socially. Politically, because there is a well-established tradition – which neoliberalism has tried to hide but which is coming back – of intervention and regulation in the key sectors in order to ensure its collective functioning. Socially because health services, home, food, transport, education are the basis of well-being and a foundational economy that works, and in Italy (as elsewhere) would make a huge difference to the lives of millions of families. Therefore, starting with the foundational economy is a strategic choice which offers an essential basis of legitimacy.

M.B. *Lets' recall, [David Graeber](#), an anthropologist and militant of the no-global movement and anarchist who recently passed away. A few years ago in an essay on the role of bureaucracy in today's societies, Graeber pointed out that in the nineteenth century the birth of the welfare state was Chancellor Bismarck's top-down response to counter the bottom-up push for the establishment of a welfare state. In those years, in the ranks of the nascent workers' movement, trade unions, cooperatives, neighborhood associations, parties were the protagonists aiming at the establishment of social insurance (social security, unemployment and disability compensation), public hospitals, libraries and theaters, etc. A kind of gradual and bottom-up push to build socialist-type institutions. What Bismarck did, Graeber argues, was to "water down" the socialist agenda while purge it of "any democratic and participatory element."*

Today, in some ways, we seem to have returned to that era, at least because of the tasks that await those who set out from a perspective of rebuilding and transforming the status quo. With the difference that there is no adequate push in the direction of public welfare and there is undisputed market dominance. There is, however, a need to build a new sphere of public economy, an economy that cannot be the revision of the proposition of the Keynesian-Fordist era. [The past model no longer seems usable to me](#). There is a problem of transparency, control and, indeed, efficiency. It is worth measuring yourself against such critical issues. Responses that act on multiple levels are needed. If I have to imagine a new public economy, I imagine it as the result of a state economy combined with a bottom-up

economy, an economy of the municipality, based on collective bodies, perhaps even spontaneous, but more adhering to a social and cultural reality in continuous movement. In short, the alternative will either be multiple or it will not be. What do you think?

Collective: Of course, the dry alternative between public and private is a manichaeian opposition that is systematically replicated, but it is sterile. Economic life is plural. We cannot think that privatization is the solution to the deformations of public action, but neither can we think that the universal solution to privatization and outsourcing. There are many types of private activities, some unscrupulously profit-oriented, others rooted in the territory and with a social vision. At the same time there are a variety of public economies, some extremely bureaucratic and sclerotised, others dynamic, transparent and entrepreneurial in the best sense of the word. And then there are the endless variants of the social economy. Here, too, we have very interesting examples and disastrous cases, where cooperative principles have been basically forgotten.

Proposing universally valid recipes, therefore, does not make sense. Rather, alternatives must be tested, while maintaining a framework of reference principles. The first principle we insist on is that it is intolerable to subordinate foundational economic activities to the logic of value extraction, which has taken hold since the financial markets regained a central role in the dynamics of accumulation. We must emancipate the foundational economy from this condition of subordination. For this purpose, there is not a single recipe, a solution. Instead, there are many possible routes. For each sector, there are forms of regulation, organization and management that work best, and which from time to time can involve the public, private individuals and cooperation. We must not fetishize a model, but understand the most appropriate way to pursue the social objectives we set ourselves.

The history of the last century offers us important lessons. Let us think about how important the policies developed in the era of municipal socialism (at the beginning of the twentieth century) can still be: public housing, urban transport, public lighting. And after decades of neoliberalism, it is understandable that we can regret the passing of the Fordist compromise. But we must not forget – as Graeber rightly pointed out – that the social pact of “les trentes glorieuses” has problematic roots and that it would be incompatible with many of our present day requirements: the need to limit economic growth and preserve natural ecosystems, the unacceptable nature of racial and gender discrimination, the need for a deeper democracy and therefore for processes of participation and not just involvement.

The specificity of our work is to develop analyses and proposals for sector-by-sector transformation, rooted in present and future challenges – not to propose old models again. All while maintaining a framework of reference principles: to compress rent extraction, to put the real well-being of families and society above the pursuit of profit, to introduce constraints and environmental objectives in production and consumption processes, to give priority to collective use over individual consumption.

***Marco Bertorello** collaborates with *Il Manifesto* and is the author of volumes and essays on economy, money and debt including *Non c'è euro che tenga (Alegre)* and, with Danilo Corradi, *Capitalismo Tossico (Alegre)*.

Luca Calafati, Julie Froud, Angelo Salento and Karel Williams participated in this dialogue for the Foundational Economy Collective whose web site is at foundationaleconomy.com

[Facebook](#)[Twitter](#)[Pinterest](#)[Email](#)[Share](#)

Jacobin Italia is a magazine without masters, without funding, published by an independent publisher. Join the Jacobin club by signing up for a subscription now.

The revolution is not in words. We need collective participation. Yours, too.

[Subscribe to Jacobin Italia now](#)

Mail: info@jacobinitalia.it

Phone: 06/45445002

Address: Casilina Bypass 72/7400176, Rome

[Jacobin Italia](#)[Follow](#)



[Jacobin Italy](#)

[15h](#)

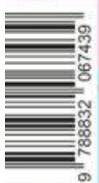
N° 9 / INVERNO 2020

Alegre

JACOBINITALIA.IT

JACOBIN ITALIA

La scuola non serve



12 euro

DA JACOBIN MAGAZINE

Lo stato fallito. Il crack della politica statunitense

[School is no use](#)

[Sign up for](#)

Subscriptions