

Towards a European foundational economy: European public goods, social rights and the foundational economy approach

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Introduction

The ambition to create a Social Europe has only been partly realised. The European Pillar of Social Rights was a landmark statement of intention in broadening the social to cover a range of essential, foundational services, such as housing and healthcare, to complement employment-related issues and altogether provide a more holistic view of the prerequisites for liveability. However, implementation has been mainly focused on the more traditional areas of EU action around employment rights and conditions, leaving the question of how social rights more broadly can be addressed. This issue is all the more important in the current conjuncture, which brings together both the acute crises of the recent pandemic and the ongoing inflation of energy, food and other products, along with existing and unresolved challenges from climate crisis to digital technologies. Together, these raise questions about, first, the importance of an overall framing for the priorities of Europe which are both social and economic and, second, a question of which actors can and should take responsibility for developing a Social Europe that can address inequalities. This is timely given the increasing scale and scope of national and EU interventions – the so called ‘return of the state’ - and the possibilities of formulating a more coherent and purposive approach.

In this working paper we explore the extent to which the notion of European public goods can help with the renewal of the foundational economy and the accessibility of its services. European public goods are an important category because they are defined as those where interventions by the institutions of the EU are justified, in line with the Treaties. To date, European Public Goods have mainly been created to meet economic priorities around internal competition and the movement of goods and people. Increasingly there have been discussions about whether and how the scope of European public goods could and should be expanded to reflect new challenges and needs which are social as well as economic. We argue that the debate on European public goods provides an opportunity for reflection and research on the appropriate priorities and roles of national and EU level actors. However, the formal definitions of public goods are difficult to meet and tend to narrow the scope for action. Using a foundational economy framing provides an alternative way of exploring how a renewed basis for intervention can address priorities which are both social and economic in nature.

The context: polycrisis, Social Europe and the foundational economy

In the last few years, diverse challenges have added pressures on EU institutions and national governments. These sudden and acute crises come on top of existing problems

about territorial and social cohesion, and they have brought out a new interventionism in nation states, to which EU institutions need to respond. They have also focused attention on the role of the EU in supporting and developing the very different economies across Europe against a backdrop of stagflation, energy crisis, the transition to net zero, as well as sustaining support for the social dimension of Europe including employment and wider matters which contribute to living standards. The crises - or the related 'polycrisis'¹ – have raised distinct challenges in relation to the scope, purpose and ambitions of 'Social Europe'. These include:

- i) Covid-19 pandemic and public health – the need to protect workers but also the importance to all citizens of healthcare which had been subject to underinvestment before the pandemic.
- ii) Ukraine War and the energy crisis – security and resilience of supplies which has an impact on households as well as businesses.
- iii) Cost of living crisis for citizens as the costs of energy, food, transport and other essentials (and interest rates) increase rapidly – cost increases are a particular problem given declining real wages for many workers; over time these worsen existing inequalities, including territorial inequalities. Rising costs also affect public services providers if budgets are not increased in line and prolongs austerity.
- iv) Climate and nature emergencies – the need to maintain and renew food, transport, energy and housing infrastructures to ensure a just transition for citizens.
- v) Digital technologies including AI – with uncertain and uneven impacts on employment and job quality; likely to underline the importance of services, especially in-person public services employment in areas like education and care.

Together, these diverse challenges highlight three key issues.

First, they highlight the importance of the foundational economy as the collection of essential infrastructures that deliver the services necessary to secure a dignified, civilized and sustainable individual and social life². These cover providential services – including education, health and care – as well as material services – including transport, utilities, food and housing. The foundational economy has two dimensions: the provision of the systems through various forms of ownership, finance, management and governance; and the way that citizens access these through state provision, markets and hybrids forms. Addressing both aspects of the foundational economy – how it is organized and how it is accessed - is a key issue for improving current and future liveability for European citizens.

Second, the current problem of the renewal of the foundational economy arises from the need for investment to maintain and upgrade infrastructures. Many of the material

¹ N. Countouris, A. Piasna and S. Theodoropoulou (eds.) (2023) *Benchmarking Working Europe 2023*, ETUI and ETUC. https://www.etui.org/sites/default/files/2023-03/Benchmarking%20Working%20Europe%202023_Towards%20sustainable%20resilience_2023.pdf

² Foundational Economy Collective (2018) *Foundational Economy: the Infrastructure of Everyday Life*, Manchester University Press.

infrastructures in Europe (such as water and sewerage, public transport, housing and the energy distribution system) are now decades old and require significant funds to ensure they are fit for purpose, especially with growing climate risks as well as social and demographic change. New challenges such as the development of renewable energy require more capacity in these infrastructures, while mitigation of current and future climate change requires infrastructure upgrading in different ways. Improving the security and resilience of infrastructures from water to healthcare, while also reducing the damaging effects on climate and nature implies that improved social and territorial justice need to be at the centre of system renewal.

Third, the renewal of foundational infrastructures is a pre-requisite for good living standards but for those services that are fully or partly financed by citizens directly – such as energy, housing, transport or childcare – the ability to afford sufficient good quality services also has to be addressed otherwise existing inequalities will be exacerbated. For this, the notion of residual income is helpful conceptually in bringing together income and cost of essentials. Residual income is the amount left over after paying for basic essentials, such as housing, food, energy and transport: tracking residual income across time between places provides insights into comparative and absolute liveability.

Overall, if the challenges which together comprise the polycrisis imply multiple, overlapping and sometimes conflictual transitions, it can be useful to articulate a set of collective objectives to frame the policy development. In addition, it is necessary to reconsider the role of the EU in the delivery of system renewal in order to directly enhance liveability for European citizens. Two observations are relevant here in relation to the role of the EU as a transnational actor.

The first observation is that many of the challenges resulting from these crises – such as public health, energy supply, or resilience of the food system – are transnational in nature and effective actions may be beyond the scope of individual nations. Patchwork co-operation may occur but some combination of availability of finance, regulation and standards or co-ordination of action may produce more effective outcomes. The observation is that the maintenance and renewal of the foundational economy is both economic and social in its dimensions: for example, increasing the diversity of energy supplies through growth of renewables and development of the (cross-border) distribution system via interconnectors may improve resilience, but whether citizens can afford to buy sufficient energy for their needs requires the social agenda to be addressed including via employment, social protection, and social tariffs.

The early promise of a Social Europe is widely seen as having not been met³, despite some hopeful attempts. Even before the pandemic and the energy crisis, the 2017 European Pillar of Social Rights (EPSR) reconfirmed the importance of the social agenda,⁴ covering: equal

³ A. Azmanova and K. Nicolaïdis (2023) 'Democracy with foresight: the key to a socially sustainable transition in Europe (and beyond)' in N. Countouris, A. Piasna and S. Theodoropoulou (eds.) *Benchmarking Working Europe 2023*, ETUI and ETUC

⁴ Sabato, S., Ghailani, D., PeñaCasas, R., Spasova, S., Corti, F. and Vanhercke, B. (2018), *Implementing the European Pillar of Social Rights: what is needed to guarantee a positive social impact*. Brussels: European Economic and Social Committee. [Microsoft Word - 18_238_inside_for_print_V2 \(europa.eu\)](#)

opportunities and access to employment; fair work via employment rights, wages, social dialogue and work-life balance; social protection via unemployment benefits, pension and minimum income; and, significantly, access to good quality essential services like health, education, childcare and housing.⁵

The EPSR sets out 20 principles, with some of these representing a distinctive new direction. For example:

- principle 16 - 'Everyone has the right to timely access to affordable, preventive and curative health care of good quality';
- principle 19 - 'Access to social housing or housing assistance of good quality shall be provided for those in need. Vulnerable people have the right to appropriate assistance and protection against forced eviction. Adequate shelter and services shall be provided to the homeless in order to promote their social inclusion.';
- principle 20 - 'Everyone has the right to access essential services of good quality, including water, sanitation, energy, transport, financial services and digital communications. Support for access to such services shall be available for those in need.'⁶

The Action Plan to implement the EPSR focused more on some aspects of the Pillar than others, typically areas like employment rights, where there is a tradition of EU level action. Covid-19 has put healthcare (principle 16) more firmly on the EU radar, including the need for more investment, more co-operation and an improvement in working conditions, including in long term care. Correspondingly, the ETUC has considered access to health and care services 'an EU emergency' and argued for a 'rights based approach' with public investment.⁷ In other areas there has been an aspiration to use the Pillar as a way to enhance the quality and availability of public services for all, building both on the notion of rights and on other practices that exist in some members states, such as widespread social housing provision. As noted by the ETUC, this is consistent with the broader transnational context:

'Principles 19 [housing] and 20 [essential services] should be construed as a bridge between the UN2030 Agenda and the EPSR in order to prevent poverty, banish hunger and deprivation, promote good health, ensure equal opportunities and sustainable cities and agriculture. The human right to water and sanitation, recognised by the United Nations in the Social Development Goals (SDGs), must be backed by concrete proposals in order to be accessible to all.'⁸

While implementation of the EPSR has to date made limited progress in terms of concrete actions, the current polycrisis revalues its original ambition; and this is echoed elsewhere, such as in the calls for universal public (basic) services (infrastructure).⁹ Interest in how to

⁵ [The European Pillar of Social Rights in 20 principles – Employment, Social Affairs & Inclusion – European Commission \(europa.eu\)](https://ec.europa.eu/eipr/20-principles)

⁶ European Parliament, Council of the European Union and European Commission (2017) European Pillar of Social Rights

⁷ [Health care | Social Pillar \(etuc.org\)](https://etuc.org/health-care-social-pillar)

⁸ [Access to essential services | Social Pillar \(etuc.org\)](https://etuc.org/access-to-essential-services-social-pillar)

⁹ Coote A and Yazici A (2021) *Universal Quality Public Services: a Policy Briefing for Trade Unions*. Ferney-Voltaire: Public Services International

improve access to quality essential services is likely to continue to grow: for example in relation to housing,¹⁰ childcare and healthcare¹¹.

Surveys of public opinion also support a focus on social issues in the development of Europe. A Eurobarometer report in 2021, three years after the launch of the EPSR, presents the views of citizens on social issues at EU level and on the future of Social Europe.¹² Social Europe is seen to be important to 88% of those polled (and at least two-thirds of those in all Member States), with four elements of social Europe considered to be the most important for economic and social development, including 'access to quality health care and the standard of living of people in the EU' (p.4). In terms of the future (by 2030) healthcare was considered to be the most important social issue for the future of Europe (36%), more than social protection (26%), wages, education and training, and pensions (all 25%). Similar numbers consider that national governments and the EU should take action to improve healthcare. If member state citizens support such actions in principle, how should these be taken forward and what are the respective roles of EU, national and regional authorities, in relation to matters of planning, organization, financing, development of standards and rights and monitoring?

There has been an explicit 'return of the state' in the last fifteen years at both national state and, more recently, EU level, as illustrated by the pandemic and energy crises responses. However, the responses do not in themselves indicate the capacity and intention to structurally reform economic and social organisation as happened in the previous century after the 1929 crisis and, above all, after 1945. What we have seen is that contemporary state interventionism tends to be responsive rather than strategic in nature. This leads to a new compromise of 'embedded liberalism', driven by temporary replacement logics of various private market actors and interests. Some scholars argue that, within the framework of the new state interventionism, public authorities have a 'more expansive interventionist footprint in economies'; but they seem to 'do less with more'.¹³ Even when public intervention directly addresses infrastructure, it is often conceived of only as capital assets and a means to increase productivity and competitiveness, rather than as infrastructures of collective well-being that could underpin a Social Europe.

In this working paper, we argue that if radical reformism is to be pursued in Europe to meet the challenges of social justice and sustainability, it is imperative to consider both the conceptual arguments for constructive intervention and the patterns of public action that are (or could be) employed. This is especially the case at the European level because most of the problems we face today cannot be reasonably or adequately addressed only on a national scale.

¹⁰ Eurofound (2023) *Unaffordable and Inadequate Housing in Europe*. [Unaffordable and inadequate housing in Europe \(europa.eu\)](https://www.eurofound.europa.eu/publications/report/2023/unaffordable-and-inadequate-housing-in-europe)

¹¹ Eurofound (2023) *Access to care services: Early childhood education and care, healthcare and long-term care* <https://www.eurofound.europa.eu/publications/report/2020/access-to-care-services-early-childhood-education-and-care-healthcare-and-long-term-care>

¹² [Social issues – March 2021 – - Eurobarometer survey \(europa.eu\)](https://www.eurofound.europa.eu/publications/report/2021/social-issues-march-2021)

¹³ Berry et al (2022), p.217

On this basis, the increased interest in European public goods (EPGs) provides one way to explore how the EU can develop its social profile in response to current and ongoing challenges. Several recent reports and other publications have focused on the potential for expanding EPGs as a way to refocus the scope of the EU and the effectiveness of its actions. The emergence of a debate on European public goods confirms that the new interventionism is gaining attention, with ambitions for this not to be limited to the national scale. However, as we will argue, the content of the current debate and proposals on the subject of European public goods are not always in line with the much broader objective of reforming the social profile of the EU, as reflected in the Social Pillar. We will argue that a conceptualisation of European public goods, which can be adopted by European trade unions as a basis for bargaining, campaigning and social partnership activities, should be based on a foundational economy perspective.

To develop these arguments, this working paper will first present some background on EPGs and a summary of recent debates about whether, how and with what purpose the EU should take more responsibility for developing EPGs. It will highlight key issues relevant to whether and how EPGs might provide a way forward with developing the EPSR and the foundational agenda. The paper will then explore the need for a wider conceptualisation of the social that follows from a foundational economy approach. Finally, we will develop a brief discussion on the implications of this approach for union action.

European public goods: background, debates and review

In economics, public goods are defined by two characteristics: first, they must be non-excludable so they are in a general sense public and available to all; and, second, they are non-rivalrous, so that use by one person does not diminish the possible use by another¹⁴. A classic example would be a streetlamp which provides light to everyone in the vicinity and one person's use is not at the expense of others. Public goods can be distinguished from common goods (commons) which are non-excludable but also rivalrous: for example, a common fishery or forest where the same fish or timber can only be used once, and the key issue is management to prevent over-use.

When both conditions – non-excludability and non-rivalrous – are met there is a problem about how public goods are to be financed. The market mechanism would typically lead to under-provision even though public goods are a source of collective and individual benefits. Thus, classical public economics has been concerned both which how much of the public good should be provided, how this provision should be organised and what kinds of taxes could be best used to finance them. In some cases, public goods can be converted to club goods where excludability can be enforced, for example by charging for use of roads via tolls or TV via subscriptions. In other areas, services can be quasi-public: for example, a public road or a park is in theory open to all but in practice, if too many people use them at the same time, they become rivalrous and fail to deliver the same level of benefits.

¹⁴ P.A. Samuelson (1954) 'The pure theory of public expenditure', *Review of Economics and Statistics* 36 (4): 387–89

Typically, governments will have some involvement in the organizing and/or funding of public goods – for example, the provision of defence via the military or the collection of national statistics – though in theory these could also be organised by private organisations (e.g. open source software) or collective and/or voluntary citizen action. In practice, definitions of public goods and related categories become rather academic and less useful for policy makers: very few things will fully meet the formal definition of public goods; some things that appear to meet the criteria in theory may be difficult to deliver in political terms, especially if transnational co-operation is required. Equally, where the conditions are only partly or sometimes met there may still be the basis for intervention by government or other actors to ensure adequate access to important services. In this respect, the character of the good and its value to citizens, as well as the deficiencies of private or market provisioning, is at least as important as the meeting of strict public goods criteria.

In practice the definition of public and quasi-public goods generally has some territorial basis, which can be from local to global scale. Municipal street lights or a public park are local, while armed forces are typically related to national level protection; some categories of public goods like clean air or flood prevention schemes provide benefits that can cross regional or national borders. Global public goods are an important category because they highlight the importance of global co-operation to secure and enhance services or systems that are of value to everyone, such as the global climate, the ozone layer, public health or financial stability.¹⁵

In a similar way, it possible to think of European public goods where the territorial scope is defined by the membership of the EU. At this transnational level, organization of public goods provides benefits to citizens which would not result from any individual actions by member states. For example, research is typically argued to be a European public good with investment at EU level justified by the benefits to citizens that are created from co-operative and collaborative research programmes.¹⁶ Decisions about whether and when the EU should take responsibility for provision of public goods are governed by the subsidiarity principle. Article 5 of the Treaty on European Union specifies that 'in areas which do not fall within its exclusive competence, the Union shall only act if and insofar as the objectives of the proposed action cannot be sufficiently achieved by the Member States'. Furthermore, Article 4 sets out a series of areas where competence is shared with member states: security, public health, safety and environmental protection; in these areas, EPGs could be delivered where national governments can agree that this is appropriate.

Over the past decades, the EU has positioned itself primarily as an engine of economic integration. The greatest progress towards cooperation has been made in the economic sphere, through the creation of the single market – a key European public good – which responded to the need to contain the effects of competition between countries due to national regulatory differences. The kind of solidarity on which the EU is based today has more to do with the interdependence between countries created through economic

¹⁵ I. Kaul, I. Grunberg and M. Stern (eds) (1999) *Global Public Goods: International Cooperation in the 21st Century*, New York: Oxford Academic.

¹⁶ F. Zuleeg (2009) 'The rationale for EU action: What are European Public Goods?'

https://www.researchgate.net/publication/237445090_The_Rationale_for_EU_Action_What_are_European_Public_Goods

integration (de facto solidarity) or management of borders, than with the affective solidarity that seemed to animate the original treaties. On this basis, arguments for investment in European public goods have typically been based more on economic arguments – typically productivity, growth and employment – than on social arguments.¹⁷ The overarching objective of economic integration has included development of economic and monetary union and free movement (Schengen) which followed on from the Single Market.

As a result, the provision of public goods in Europe remains mostly in the domain of national governments and only a limited part of the EU budget is invested in EU programmes that can be configured as EPGs.¹⁸ Although the last thirty years have been characterised by an EU focused mainly on economic integration,¹⁹ historically (and since its foundation) it had been assigned broader functions. Some authors have argued that this division of responsibility between the national and the EU level needs a new balancing act justified by the fact that national policies risk being increasingly limited in their effectiveness in the current conjuncture.²⁰ Moreover, as Sapir notes, the much greater disparities in the EU following enlargement are also relevant to widening the appropriate scope of EPGs in the 21st century.²¹

These contributions are part of a wider debate about extending the scope of EPGs to reflect the changing nature of Europe and of the various crises and challenges it faces. In a report for the European Parliamentary Research Service, Begg²² draws on the Treaty of European Union to identify the objectives that could be met with EPGs. These include: ‘a common foreign and security policy, defence cooperation, free movement of persons and the establishment of ‘an area of freedom, security and justice’ (p.3). These are broad ambitions which distinguish the EU from other trading blocs and move towards an interpretation of common good that is about more than economic integration. Suggestions from a range of other authors reflect in particular the nature of the crises that the EU needs to address – such as climate and migration – which are both pressing and/or characterised by cross-border issues. In this sense the criteria for determining EPGs moves beyond a fairly narrow economic one concerned with the inability of markets to provide certain kinds of goods and services, or the efficiencies that can occur when organising at a collective level, to invoke a more strategic rationale for widening the scope of EPGs (and hence EU action and finance) to areas of challenge - and possible opportunity - such as green and digital technologies²³. These various suggestions are illustrated in table 1.

¹⁷ F. Zuleeg (2009) ‘The rationale for EU action: What are European Public Goods?’ p.16.

<https://www.researchgate.net/publication/237445090> The Rationale for EU Action What are European Public Goods

¹⁸ <https://www.iai.it/en/pubblicazioni/i-beni-pubblici-europei-nel-bilancio-dellunione>

¹⁹ C. Fuest and J. Pisani-Ferry (2019) *A Primer on Developing European Public Goods*, EconPol Policy Report 16.

https://www.econpol.eu/publications/policy_report_16

²⁰ *ibid*

²¹ I. Begg, A. Sapir & J. Eriksson (2008) ‘The Purse of the European Union: Setting Priorities for the Future’, Occasional Paper No. 2008: 10p, Stockholm: SIEPS p. 16.

²² I. Begg (2021) *The European Union and regional economic integration Creating collective public goods – Past, present and future*, EPRS.

[https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/689369/EPRS_BRI\(2021\)689369_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/689369/EPRS_BRI(2021)689369_EN.pdf)

²³ M. Buti, A. Coloccia and A. Messori (2023) ‘European Public Goods’, VoxEU [European public goods | CEPR](https://www.voxeu.org/article/european-public-goods)

Table 1 Suggestions for the extension of European public goods (EPGs)

Author ²⁴	Date	Suggested areas for (additional) EPGs				
		protection: security, defence, migration	environmental & energy security	digital	social	other
European Commission	2002	peace & security	environment		health	knowledge, governance
Collignon & Paul	2008	defence, internal stability	climate change policies			macroeconomic stabilisation, industrial policy
Begg	2009		climate change policies			
Fontana & Venturi	2018	migration policies, development co-operation, security & defence	energy	digital infrastructure		human capital, transport
Fuest & Pisani-Ferry	2019	foreign economic relations, military procurement & defence initiatives; foreign policy co-operation	climate change mitigation	cybersecurity and digital sovereignty	protection of refugees; common framework for asylum	development co-operation
Buti & Papaconstantinou	2022	defence, migration	climate change mitigation	digital infrastructure	health	development co-operation
Thöne & Kreuter	2020	defence, migration	energy		epidemic prevention & control	transnational transport
Fontana	2022	defence	environmental policies			
Buti & Messori	2023		energy	digital infrastructure		

Arguments for extending EPGs have been bolstered by the EU's ability to act quickly and effectively in its responses to Covid-19, for example in agreeing the economic recovery package²⁵. The establishment of the NextGenerationEU (NG-EU) fund (which has the novelty of including debt finance) may also set a precedent for creating large scale financial

²⁴ Collignon, S. and C. Paul. 2008. *Pour la république européenne*. Odile Jacob, Paris; I. Begg (2009 'New demands for EU spending: justifiable or fanciful?' [New demands for EU spending: justifiable or fanciful? - CORE Reader](#); O. Fontana and B. Venturi (2018) 'I beni pubblici Europei nel bilancio dell'unione' Istituto Affari Internazionale; M. Thöne and H. Kreuter (2020) *European Public Goods Their Contribution to a Strong Europe* FiFo Institute for Public Economics Commissioned by and in collaboration with the Bertelsmann Stiftung.

²⁵ I. Begg (2021) *The European Union and regional economic integration Creating collective public goods – Past, present and future*, EPRS, p.7. [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/689369/EPRS_BRI\(2021\)689369_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/689369/EPRS_BRI(2021)689369_EN.pdf)

resources a - ‘permanent central fiscal capacity’²⁶ - to address social and economic problems. For Buti and Papaconstantinou²⁷, NG-EU is ‘potentially’ an important precedent in combining national level delivery with reforms and investments responding to European priorities (p.3); in particular with minimum allocations of funds allocated to green (37%) and digital (20%) transitions. It is noted however that the eventual agreement on allocation of funds ‘falls short of a first-best solution of more public goods projects that are funded and executed at EU level’ (including research, health and other programmes).

Buti and Papaconstantinou also explore the idea (and practice) of providing EPGs ‘by aggregation’²⁸ where financing and/or delivery take place at national level, as long as ‘they are consistent with a clearly defined common European goal’. For these authors, creating EPGs by aggregation’ is second best to ‘pure’ EPGs because of the risks that national priorities – and hence budgets – may change; or even when EU finance is available, national delivery may lack ‘cross-country coherence’. On this basis they argue that the supply of pure EPGs should be increased. The rationale for such expansion can be made according to two principles: 1) ‘threshold effectiveness’ where EU level delivery has scale and scope economies; and 2) ‘national interest’ principle where there is additivity (or at least non-harm) from pursuing EPGs to achieve national goals (pp.5-6). It is argued that examples where these conditions are met include research and procurement of vaccines, defence, big data infrastructures, semiconductors and a climate fund.

The Bertelsmann Foundation²⁹ take a similar line in stating that public spending at the European level should ideally fulfil two criteria: (a) it should result in positive net benefits, i.e. the benefits should exceed the costs; (b) it should result in European value added (EVA), i.e. the benefit of public spending at the European level should be greater than at the national level. In practice, the EVA compares the net benefits of spending by national governments with the benefits of spending in the same category at the European level. Similarly, Fuest and Pisani-Ferry³⁰ argue that while ‘enhanced provision of European public goods’ will require funding this will not increase the overall tax burden assuming more efficient procurement and delivery. These financial tests appear to create a degree of rigour and formality around decision making; in practice of course, estimates of categories like ‘benefits’, ‘efficiency’ or ‘value added’/ additionality are based on many assumptions and could be presented in many different ways. As ever, the politics of decision making will be at least as important as any formal economic tests.

²⁶ M. Buti, A. Coloccia and A. Messori (2023) ‘European Public Goods’, VoxEU [European public goods | CEPR](#)

²⁷ Buti, M and G Papaconstantinou (2022), ‘European public goods: How can we supply more’, VoxEU.org, 31 January, p.3. <https://leap.luiss.it/wp-content/uploads/2022/06/PB3.22-European-Public-Goods.-How-can-we-supply-more.pdf>

²⁸ *ibid* p.4

²⁹ Bassford, M., S.-C. Brune, J. Gilbert, F. Heinemann, F. Misch, M.-D. Moessinger, S. Osterloh und S. Weiss (2013), “The European Added Value of EU Spending: Can the EU Help its Member States to Save Money?“, Exploratory Study, Bertelsmann Stiftung, Gütersloh; note that a later publication disagrees with these criteria: M. Thöne and H. Kreuter (2020) *European Public Goods Their Contribution to a Strong Europe* FiFo Institute for Public Economics Commissioned by and in collaboration with the Bertelsmann Stiftung. [European Public Goods Their Contribution to a Strong Europe EN.pdf \(bertelsmann-stiftung.de\)](#)

³⁰ C. Fuest and J. Pisani-Ferry (2019) *A Primer on Developing European Public Goods*, EconPol Policy Report 16, p.2. https://www.econpol.eu/publications/policy_report_16

From reviewing this lively debate on expanding the scope of EPGs and the implications for action at EU and member state level, several conclusions can be drawn. First, while there is agreement about the need for and potential advantages of extending EPGs to provide a range of benefits to European citizens, there is no consensus on which areas would be the most suitable focus or priority. Suggestions are naturally constrained in any case by the Treaties and the definition of appropriate areas for EU action or joint action with member states. As table 1 shows, the possible area for extension of EPGs is very broad. However, even if all of the areas proposed in the table were met, this would still not deliver on the European Pillar of Social Rights, leaving priority areas like housing, healthcare, childcare etc outside the scope of EU level action as currently considered.

Second, while it is possible to construct lists of services and areas of action that could be candidates for EU level delivery, there is no easy way to support further development of EPGs within the economics framing of public goods, as the tests about the benefits of transnational organization of public goods, compared with action by member states, is difficult to estimate and therefore make a case. Most of the definitions of European public goods proposed in the literature are not adequate for this purpose: the market-centric conception of public goods ‘responds specifically to the occurrence of a market failure in which the state could intervene to correct its functioning and avoid a sub-optimal outcome’³¹. The idea of a public good is thus linked to market failures, which consist of a non-optimal allocation of resources: ‘public intervention serves to guarantee economic efficiency that the market does not guarantee’³². Of course, we can also note that when crisis occurs the EU is able to act (as in the case of vaccine procurement) at speed to secure collective access, driven by social and political as much as economic imperative.

Third, discussion of the extension of EPGs is typically not accompanied by exploration of the practical issues of funding and organization. In particular, how would responsibilities be allocated between national governments and the EU given that in practice while it can disburse funds and develop regulatory frameworks, the EU is not able to directly deliver services? How could EU, national and regional actors could work together around organization, financing and delivery of public goods?

Overall, the definition of European public goods has a tendency to become vague and risks losing its relevance for the social grounding of the Union. Indeed, the set of ‘European public goods’ that the literature identifies is very broad and tends to lose its connection with the idea of needs and expectations of citizens, and with the challenge of improving social and territorial cohesion. In this respect the debate is much less ‘social’ than the scope of the European Pillar of Social Rights; it is more concerned with institutional priorities and missions than with the experience of the citizen who might imagine that expectations of essential services – or even social *rights* – are important in shaping their quality of life on an everyday basis.

³¹ O. Fontana (2022) ‘Tra solidarietà europea e responsabilità nazionali: la tutela dei beni pubblici europei’ in Mauro Campus, Stefano Dorigo, Veronica Federico, Nicole Lazzerini (eds) *Il futuro dell’Ue tra responsabilità fiscale, solidarietà e nuova cittadinanza europea*, pp. 143-162, Firenze University Press.

³² O. Fontana and B. Venturi (2018) ‘I beni pubblici Europei nel bilancio dell’unione’ Istituto Affari Internazionali, p.4. <https://www.iai.it/en/pubblicazioni/i-beni-pubblici-europei-nel-bilancio-dellunione>

A wider foundational conceptualization

The purpose ascribed to the EPG concept, as we have seen, is to provide a basis for renewed EU interventionism in economic and social life. However, the areas suggested for such action is not necessarily geared towards the consolidation and enhancement of Europe's social profile. There is indeed a 'return of the state' in the last fifteen years, and the volume of the EU's economic engagement, after the crises of the new century – from the Eurozone crisis to the energy crisis - has also increased. But there is often an inconsistency between the scale and scope of interventions and the institutional and socio-political effects of these actions.

If we start from the assumption that the European Union today should be a protagonist in the renewal in the quality and sustainability of the lives of the European peoples, the definition of EPGs as the justification and choice of focus for EU level interventions, should be consistent with this aim. Our proposal is that, in order to construct a definition of European public goods based both on the constitutional tradition of Europe and on the current needs of European societies, we can use the approach of foundational economics. This is an interdisciplinary strand of public social science, which argues for the need to develop a radical reformist approach to the design, regulation and financing of the economic activities that produce and distribute the goods and services decisive for quality of life and social and territorial cohesion.

This approach is of particular interest for trade union action because it explains that, alongside labour and income protection, it is crucial to promote the quality, accessibility and affordability of foundational goods and services, including health, housing, transport, energy, water, care and food. This dual focus is important because access to income is not sufficient for liveability, especially for those on lower incomes, if citizens are unable to access essential services in sufficient quality and quantity. These services are usually based on some form of collective provision in relation to investment, organisation and/or delivery; equivalent services cannot be directly procured in a market or are simply too expensive or partial to meet most citizens' needs. On this basis, the foundational economy approach offers a canon of reference for issues often neglected by industrial relations approaches, as well as in the debate on union renewal.

One of the starting points of this approach specifically concerns how certain activities – and the goods and services they provide – can be identified, implying a choice is required, but not one based on ideological grounds. The analysis of the research network on the foundational economy has identified a plurality of criteria that make it possible to draw up a framework of priorities for a policy concerned with strengthening the welfare of the many. Here we can take up three criteria in particular, which seem to us to be of particular importance when it comes to grounding an interventionism geared towards building a democratic EU.

First of all, in order to identify the foundational goods and services, we can adopt a criterion of philosophical anthropology, based on the concept of capabilities, on which economist,

Amartya Sen³³, and philosopher, Martha Nussbaum³⁴, - amongst others - have worked. In this perspective, it is possible to ground a (political) choice of economic regulation – and in particular to identify the perimeter of a welfare-oriented public economy – by referring to principles considered universal in Western cultures. In this perspective, foundational goods and services are those that allow individuals to sustain elementary physical functions, such as being sufficiently fed and not suffering from avoidable illnesses and to make choices about how they live their lives; they also support complex social functions, such as being able to participate in – and thereby help to reproduce -community life. Thus, access to good quality housing, education, healthcare, food and so on is not simply because these are necessary to survival but because they allow the development of capabilities which will be of value primarily to the individual but also to the wider economy and society.

Taking a broader perspective, the foundational economy research network has identified two large sets of activities that constitute the infrastructure of everyday life which sustain capabilities: a providential foundational economy, which includes health, education, care; and a material foundational economy, which includes networks such as water, gas and electricity distribution, food production and distribution, transport, waste treatment, housing, retail banking. These are provided through a variety of public services, markets and hybrid forms, in different ways across Europe.

A second criterion – of a more clearly political nature – refers to the constitutional arrangements of European democratic states. This is not a formalist criterion, based on compliance with legal norms. Rather, constitutional arrangements are interpreted as politico-historical expressions of social orders, since they reflect established conceptions of the common good and social welfare: ‘Every capitalist society generates norms and regulations relating to e.g., to how much inequality is acceptable, what can and cannot be commodified, who should work, what is acceptable pay and conditions of work and who (e.g. minors) should be protected. Such minimum socially defined standards coexist as governing principles – and therefore moral choices – alongside any consumer choice exercised by individuals within a market’.³⁵

In this way, European democratic constitutions are not just collections of procedural rules but delineate an image of society seen from the citizen's perspective. As such, these national constitutions identify, with relatively few national differences, an economic space of entitlement to an irreducible core of fundamental goods and services, sheltered to varying degrees from competition. The sociologist T.H. Marshall³⁶ believed that the sphere of social rights would gradually expand and evolve over time. However in the 21st century the legacy of acquired rights is now unstable, fragile and at risk of being reversed as it is subject to continuous tensions. Of course, the European Union is itself an expression of these social orders and requires renewal in relation to how it protects and supports the rights of citizens. When it comes to defining the scope of EPGs, therefore, one should refer – rather than to definitions based on economic theory – to the fundamental principles of the European

³³ A. Sen (2001) *Development as Freedom*. Oxford New York: Oxford University Press

³⁴ M.C. Nussbaum (2011) *Creating Capabilities: The Human Development Approach*. Harvard University Press.

³⁵ Foundational Economy Collective (2018) *Foundational Economy. The Infrastructure of Everyday Life*, Manchester University Press, p.91.

³⁶ T.H. Marshall (1950) *Citizenship and Social Class: And Other Essays*. Cambridge University Press.

constitutions, which have been inherited (even if only partially and not without contradictions) from the Treaties.

Finally, a third criterion for identifying which goods and services are most important for the well-being of the many, we can refer to a criterion of materialist anthropology: looking at which goods and services are most inelastic in demand. Some foundational services are provided free or are subsidised, including healthcare, education, public transport or social housing, so that discussion of the degree of elasticity of demand has some limitations. In general, however, the less dependent the demand for a certain good/service is on household income, the more important that good/service is for the well-being (and survival itself) of the many. This is not to say that incomes are irrelevant; indeed, the current cost-of-living crisis in Europe means a worsening of pressures for low-income households with already inadequate income to cover essential goods and services. When discretionary expenditures have already been cut, households have to make choices about reducing consumption of heating, hot water or fresh food in order to manage budgets; the growth of food banks and various community solidarity programmes is evidence of growing distress.

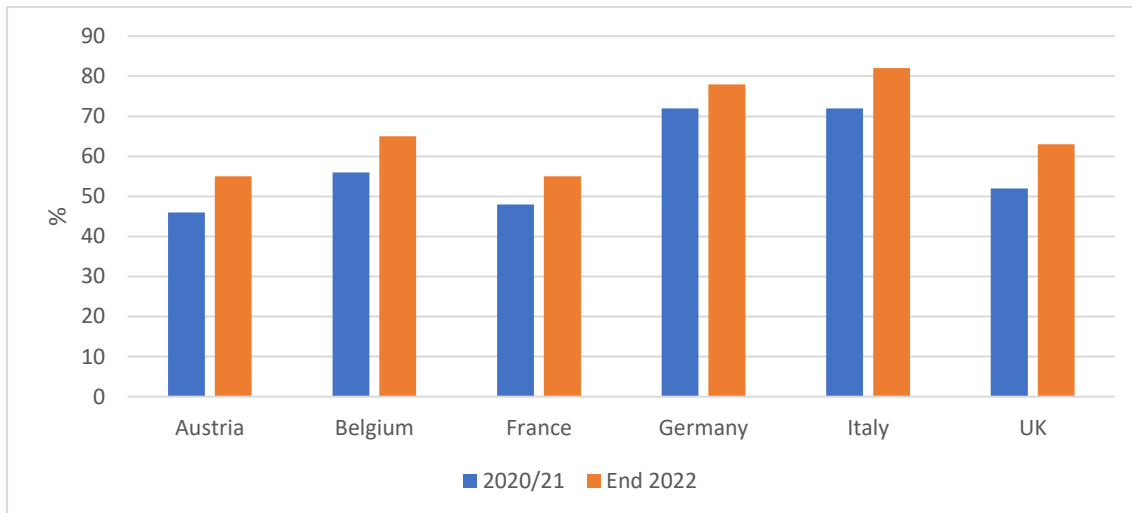
Even where households do not have to make 'heat or eat' decisions, those with lower incomes devote a larger share of their overall expenditure to essential goods and services, meaning that there is less discretionary income for other purposes, including savings. Analysis of expenditure choices based on the amount spent is valuable in confirming the importance of essential goods and services, and therefore to understand their characteristic of relative income inelasticity. At the same time it also needs to be noted that a focus only on amounts spent ignores the important issue of quality because foundational products like housing, health, food and transport are not homogeneous. A higher income household may spend relatively less (as a share of its income) on food or energy than a poorer household but is likely to be enjoying a more diverse diet, a more spacious and energy-efficient home and more access to private transport.

The research network for the foundational economy is developing many analyses of the demand for goods and services and its relationship to the quality of life and liveability of places. One aspect of this is a focus on residual household income, what remains after the cost of essentials required by all – typically housing, food, energy and transport – have been met (Bassens et al, 2023³⁷). Households require residual to cover other costs: some of these like childcare are only relevant for some households but can be very large and essential for workforce participation; others like internet access, personal care and leisure are also important for sustaining capabilities and social inclusion. Figure 1 shows that, even before the start of the current cost of living crisis, the lowest income households in each of the six countries directed more than 40% of all their expenditure to the four essentials; in Belgium this was more than 50% and in Germany and Italy it was over 70%. Taking the corresponding highest income groups, the shares of expenditure were less in each case, significantly so in

³⁷ D.Bassens, L.Calafati, J.Froud, C.Haslam, S.Johal, K.Williams (2023) *Market entitlement and the foundational economy/FE 4 metric after the 'cost of living crisis'*, Foundational Economy Collective WP 11, <https://foundationaleconomycom.files.wordpress.com/2023/08/market-entitlement-fe4-and-cost-of-living-crisis-19-aug-2023.pdf>

Germany and Italy.³⁸ By the end of 2022, households needed to spend a larger proportion of their total expenditure on these four essentials; this increases the pressure on household budgets unless wages are increasingly at least as quickly as prices. Across the EU as a whole, the wage share of GDP has been falling since 2020 and with growing inequalities in terms of the extent of any real wage growth between industries as well as countries.³⁹

Figure 1 The significance of expenditure on foundational essentials – housing, food, energy and transport, before and during the cost-of-living crisis



Source: Bassens et al (2023)

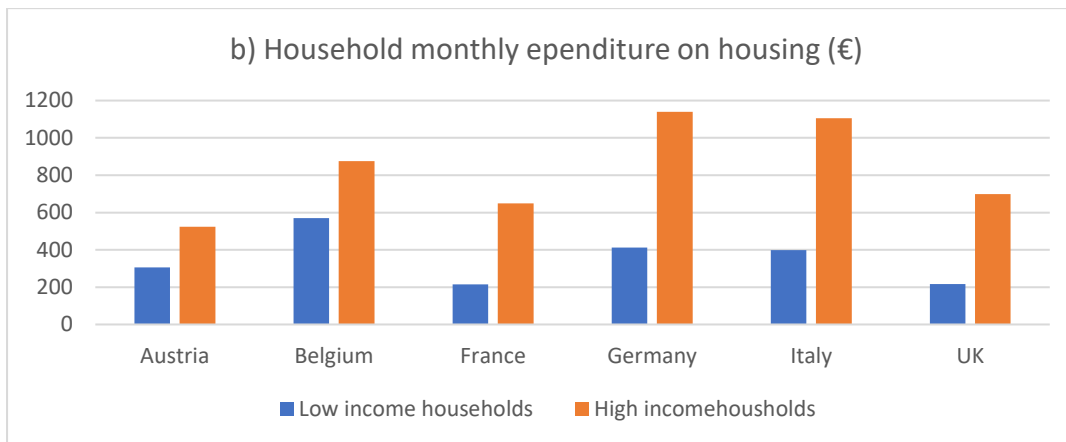
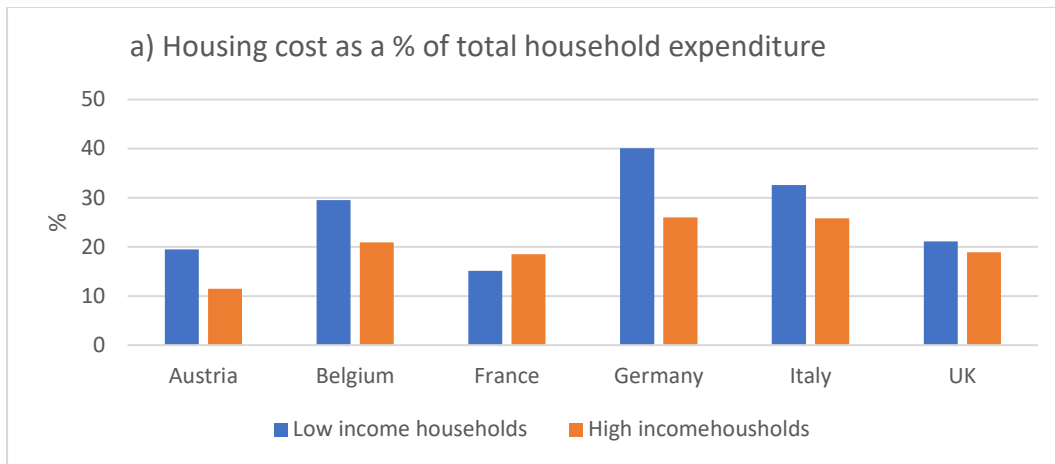
Note: the low-income groups in each country are not directly comparable as the 'lowest income' group varies as follows. Austria, France and UK, the lowest two deciles (20%); Belgium, lowest quintile (20%); Germany, lowest sixth (17%); Italy, lowest quartile (25%)

As observed earlier, it is not simply that higher income households use a smaller share of their income to pay for essentials, but they also spend more in absolute terms. For housing costs, this means that higher income households benefit from some combination of size, location (and neighbourhood amenities), quality; and generally the acquisition of an asset as richer households are more likely to buy their house rather than renting. Figure 2 shows that in each country except France, which has the lowest housing costs in relative terms in this six country sample, high income households direct a smaller proportion of total expenditure to housing. In absolute terms, higher income households can afford to spend much more (almost three times as much in France, Germany and Italy).

Figure 2: Comparison of lowest and highest income groups expenditure on housing, 2020 (pre-crisis)

³⁸ The % expenditure shares for the highest income groups in 2020/21 were: Austria 35%, Belgium 46%, France 45%, Germany 49%, Italy 50%, UK 43%.

³⁹ T. Muller, K. Vandaele and W. Zwysen (2023) 'Wages and collective bargaining: fighting the cost of living crisis' in Countouris N., Piasna A. and Theodoropoulou S. (eds.) (2023) *Benchmarking Working Europe 2023*, ETUI and ETUC. <https://www.etui.org/sites/default/files/2023-03/Benchmarking%20Working%20Europe%202023%20Towards%20sustainable%20resilience%202023.pdf>



Source: Bassens et al (2023)

Note: the low-income groups in each country are not directly comparable as the ‘lowest income’ group varies as follows. Austria, France and UK, the lowest two deciles (20%); Belgium, lowest quintile (20%); Germany, lowest sixth (17%); Italy, lowest quartile (25%). Similarly, the high-income groups are as follows: Austria, France and UK, the highest two deciles (20%); Belgium, highest quintile (20%); Germany, highest sixth (17%); Italy highest quartile (25%).

The importance of key essential products in household budgets across Europe regardless of income, helps to identify goods and services that are the most important. Drawing on this foundational perspective also helps to overcome one of the most frequently voiced objections to the very idea of EPGs, i.e. the alleged difficulty of identifying a common preference system on a European scale.

A focus on goods and services paid for directly is important in relation to understanding to what extent households can maintain living standards, especially when real wages have been damaged over several decades. However, other services that are typically free (or highly subsidised) like healthcare, dentistry, education, social care have become an increasing problem too, especially where underinvestment in public services leads to an increased importance of ‘out of pocket’ expenditures to access (or simply to speed up access) to services. (In)Ability to pay creates new inequalities between citizens. Across the EU as a whole, out of pocket expenditures accounted for 14.4% of total health spending in 2020, but with very large differences – for instance from less than 10% in France,

Netherlands, Luxembourg to more than 30% in Latvia, Greece, Malta and Bulgaria; and more than 20% in Hungary, Lithuania, Italy and Portugal.⁴⁰

Based on these three criteria discussed above – capabilities, constitution and relative inelasticity – there is a case for considering foundational activities as highly relevant to the priorities and actions of institutions at EU level, as they already are in varying degrees to those of national governments. These choices cannot be strictly economic, but must be based on a political assessment, anchored to a universally shared system of preferences rooted in the European constitutional tradition. Maintenance of foundational services involves varying amounts of investment, revenue support, regulation, co-ordination, re-organisation, delivery, facilitation and monitoring, depending both on the nature of the service and on the preferred form of organisation and access. These issues are of course areas of intense debate, including the appropriate roles of state and markets, but those considerations are secondary to the principle that foundational services should be considered an appropriate domain for new interventionism directed at improved well-being and social cohesion.

Elaborating the definition of European public goods on the basis of the conceptual framework of the foundational economy, as explored in this section brings a number of gains:

- the definition of EPGs is anchored to a principle of social cohesion and territorial cohesion, because public goods are conceived as a common infrastructure, capable of sustaining welfare even under conditions of regional disparities in income and purchasing power. Rather than being conceived as ex-post remedies, social and territorial cohesion are incorporated into the concept of European public goods;
- a definition that can be universally shared, because foundational goods and services are essential goods, with a (relatively) inelastic demand in all European countries, so that the problems of a variety of preferences can be overcome;
- the foundations are laid for a system to protect citizens from the dynamics of speculation on essential goods and services, increased cost of living and income erosion (reduction of residual income). It is evident that the rise in the cost of living is not a cyclical phenomenon, but a long-term trend, linked to the transformation of business models and accumulation strategies in the domain of the foundational economy, and to geo-political changes affecting global supply chains and the cost of food, energy and other products;
- the opportunity is created for a renewal of reliance systems, which is urgent given not only the four decades of privatisation, financialisation, restructuring, outsourcing, and dis/organisation, but also the imperatives of the climate and nature crisis;
- in doing so this would introduce a more sustainable shift towards a more fully grounded Social Europe that more adequately reflects the European Pillar of Social Rights, and which goes beyond crisis response then partial retreat to business as usual;
- strengthening the profile of the EU as a 'Citizens' Europe', building a material basis of European citizenship.

⁴⁰ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Healthcare_expenditure_statistics#Healthcare_expenditure

Implications

Ultimately, when it comes to identifying the scope of public goods, referring to the foundational economic domain is a way of ensuring that the new interventionism is oriented towards the construction of welfare and social cohesion: this choice cannot be strictly economic, but must be based on a political assessment, anchored to a universally shared system of preferences rooted in the European constitutional tradition. The guarantee of a system of European public goods, which goes beyond extemporary investment in specific sectors, can thus become a decisive pillar for European citizenship, which – introduced by the Maastricht Treaty (art. 8) - today has an essentially symbolic value precisely because it lacks a material and recognisable basis.

Once the (broad) scope of goods that should be considered *public* has been identified, the question becomes, specifically, which goods should be treated as *European* public goods. Here, the question mainly concerns the organisational scale of key economic activities. There are activities that are place-based, others that lend themselves to national scale organisation, still others that can be more usefully organised on a transnational scale (and this also implies that they should be financed and monitored on a transnational scale). The distribution of drinking water, for example, although involving issues that have a transnational scope, is an activity that can benefit from being organised on a regional or local scale. Except where water is imported/exported across national boundaries or where river catchments span borders, local water management – and sewerage and waste treatment - has many advantages, both technical and organisational. And the same can be said for housing: settlement systems are place-specific so that planning and development have to respond to local conditions and needs. Recognising citizenship also means respecting and promoting the self-organising capacity of individuals, groups and communities.

Most often, however, each sector of the foundational economy includes activities that need to be managed at different scales. In complex areas like health, services are procured, organised and delivered in many different ways. For example, much health care is delivered at the local level (primary) with secondary care in larger towns and regional hubs. Decisions about location and funding will typically be national (or at least partly devolved) but there are many issues that can (and probably should) be addressed on a transnational basis, especially around public health. Similarly, in the transport sector, there are services that need to be designed and operated on a local scale, but there are also services that are necessarily transnational in character and require to be designed and operated on a continental scale. Again, in the agricultural production and distribution sector, the principle of proximity between production and consumption has many advantages, and there are many efforts to organise local food systems (often, paradoxically, hindered by European standards and competition protection rules); but the production of ingredients for industrial food products and the overview of the resilience of food systems are areas where EU intervention can be developed.

The experience of the pandemic has shown, moreover, that certain economic activities, which have been interpreted over the last 50 years as eminently competitive activities, are decisive for well-being and survival. This is the case with the production of medicines and

vaccines, which should become a case in point for EU intervention: it is crucial that all EU citizens have access to advanced medicines and vaccines, without national differences, even where member states lack sufficient economic strength or procurement capability to finance nationwide investments and market actions.

Are the political conditions currently in place to develop a programme to build EPGs on this basis? There are contradictory signals from what has happened in recent years, particularly since the pandemic crisis. On the one hand – also as a response to the 'secular stagnation' – there is a growing intervention of the EU on issues that concern social problems in a broad sense, with an increasing focus on sustainability. However – as research by and for the think-tank Counter Balance also shows – this intervention is poor in strategic and structural terms.⁴¹ The prevailing approach prioritises financing (and underwriting the risk of) large projects that often benefit corporations more than citizens. Public banks – including the European Investment Bank – are the main conduits for public intervention that does not provide a permanent answer to structural problems, and in particular to growing inequalities. Take, for example, the need to secure renewable energy, or the upgrading of the housing stock to improve its energy efficiency. The intervention of member states and the EU is increasingly 'organic' in economic life – to the point of blurring the boundary between public and private action – but this 'return of the state' (or at any rate of public finance) is not matched by a recognisable strategic scope, not least because it is claimed that public action is still residual with respect to private initiative and cannot place constraints on it.

The development of the NG-EU programme is in line with this contradiction. The creation of the Recovery Fund at the time of the pandemic was a decisive innovation, because it created its own revenue item in the Union's budget: it is financed through the issuance by the European Commission, of common European debt securities, and it is destined to be repaid by the European Union in 2028, through the introduction of new European taxes. Some scholars call this innovation 'revolutionary' because it gives the European Union a real fiscal capacity, i.e. an integrated budget that can be directed towards the promotion of European public goods. However, the NG-EU also suffers from the limitations we have mentioned: faced with structural problems, it retains the character of a conjunctural intervention, which finances projects but does not change the rules. This is a consequence of the fact that the NG-EU was conceived and re-developed without any reform of the Treaties.

It is likely (or at any rate desirable) that, at the conclusion of NG-EU, the question of a reform of the Treaties will emerge. And it will be very important that the approach that will be codified in the treaties is no longer the 'superficial expansionism' of the public hand as a support to competitiveness (and only indirectly to social justice and sustainability), but a framework of principles of economic governance based on the welfare and prosperity of the many, renewing the tradition of European democratic constitutionalism. Today, perhaps, the topic of European public goods cannot easily be addressed with the necessary radicalism in

⁴¹ See: L. Calafati, C. Haslam, S. Johal and K. Williams (2023) *Elite vs Household Priorities in the EU's Recovery Strategy and Institutions*, <https://foundationaleconomyresearch.com/wp-content/uploads/2023/08/Elite-vs-household-priorities-KW-5-August-2023-2-proofed-JF-16-August-2023-PDF.pdf> ; F. Vanaerschot 'European Investment Bank structural reform needed' <https://www.socialeurope.eu/european-investment-bank-structural-reform-needed>

terms of institutions, not least because most public attention is distracted by the urgencies of NG-EU. Nevertheless, there are good reasons to consider EPGs as an extremely important topic for the development of Social Europe, on which discussion and research should be encouraged.

There are many good reasons to think that the question of European public goods as a centre of gravity for the foundation of a European public economic law is an extremely relevant issue for trade unions. Of course, no trade union has ever stopped dealing with general issues of economic policy as well as the negotiation of working conditions. But today it is more evident than ever – as the Foundational Economy Collective has shown – that the protection of workers' (and non-workers') income cannot be based only on the bargaining of wage increases and employment conditions, but necessarily requires the renewal of a collective infrastructure of everyday life. Moreover, uncertainties about how the various aspects of the polycrisis will affect the future distribution of decent work across nations, industries and demographic groups, requires a more holistic emphasis on liveability, of which incomes are only one part.⁴² Any 'just transition' has to cover access to health, housing, food, public transport, energy and so on, not just availability of jobs and employment rights. On this basis, building a European public goods system based on a renewed foundational infrastructure could contribute to the necessary 'social transition' envisaged in the ETUI/ ETUC *Benchmarking Working Europe 2023*.⁴³

⁴² L. Calafati, J. Froud, C. Haslam, S. Johal and K. Williams (2023) *When Nothing Works. From Cost of Living to Foundational Liveability*, Manchester University Press.

⁴³ Countouris N., Piasna A. and Theodoropoulou S. (eds.) (2023) *Benchmarking Working Europe 2023*, ETUI and ETUC. https://www.etui.org/sites/default/files/2023-03/Benchmarking%20Working%20Europe%202023_Towards%20sustainable%20resilience_2023.pdf