This is an Open Access document downloaded from ORCA, Cardiff University's institutional repository: https://orca.cardiff.ac.uk/id/eprint/146359/

This is the author’s version of a work that was submitted to / accepted for publication.

Citation for final published version:


Publishers page: https://doi.org/10.1080/21622671.2021.1941230
<https://doi.org/10.1080/21622671.2021.1941230>

Please note:
Changes made as a result of publishing processes such as copy-editing, formatting and page numbers may not be reflected in this version. For the definitive version of this publication, please refer to the published source. You are advised to consult the publisher’s version if you wish to cite this paper.

This version is being made available in accordance with publisher policies. See http://orca.cf.ac.uk/policies.html for usage policies. Copyright and moral rights for publications made available in ORCA are retained by the copyright holders.
Territorialising sustainability: De-coupling and the foundational economy in Wales

Mark Lang  
Langm1@cardiff.ac.uk  
Sustainable Places Research Institute, Cardiff University

Terry Marsden  
marsdentk@cardiff.ac.uk  
Sustainable Places Research Institute, Cardiff University

January 2021

Key Words: Environment, Inequalities, Foundational Economy, Decoupling, Place-Based, Wales

Abstract

Despite strong evidence that existing economic orthodoxy contributes to socio-economic inequality and the global environmental crisis, it remains largely intact. Various alternatives to the growth-based model have been proposed, but have gained limited traction. One idea that seems to have been embraced is ‘decoupling’ - that growth can be pursued without further social and, particularly, environmental degradation. Against this backdrop, this article considers the recent policy embrace in Wales of what has been called the ‘foundational economy’. The Welsh Government seems to have embraced the notion of decoupling. It begins to critically examine whether this policy embrace can potentially be a means of addressing social and environmental crises. It finds that although there seems to be a genuine interest in experiments with the foundational economy by some policy makers in Wales, largely, this has not led to an abandonment of a model that is largely consistent with neo-liberal growth-centric economic priorities. It concludes, that if Wales is to truly embrace the foundational, then it needs to be mainstreamed rather than experimental, and if this embrace is to tackle both social and environmental crises, and by extension, help fulfil Wales’ well-being legislation, it also needs to more firmly routed in place.

Introduction

Despite growing and strong evidence that existing economic orthodoxy continues to contribute to socio-economic inequality and a global environmental crisis, neo-liberalised policy remains the dominant discourse. Within this model, progress tends to be overwhelming measured by restricted notions of growth, which tend to ignore social and environmental costs. The primacy of this growth-based model has been challenged to varying degrees, with the notion of ‘decoupling’ - that growth can be pursued without further social and, particularly, environmental degradation - most commonly embraced by policy-makers. Policy-makers have, it is argued, embraced decoupling as it does not undermine the central tenants of the growth-based logic neo-liberalism. There are, as this article outlines, some major problems with the logic of decoupling.

Against the backdrop of the growing interest in alternative economic models, this article considers the recent policy embrace in Wales of what has been called the ‘foundational economy’. It begins to critically examine whether this policy embrace can potentially be a source of addressing both social and environmental crises. It considers contemporary Welsh economic policy in greater detail, including its recent experiments in the foundational economy, and proposes the need for a deeper place-based, diversified and distributed approach to economic development in Wales. Such an approach, whilst embracing the essential elements of foundational economic thinking, might also free policy-makers in
Wales, and elsewhere, from the continued pursuit of growth. Ultimately, such an approach would assist in the delivery of Wales’ well-being legislation, and assist in overcoming its social and environmental problems, far more so than a continued faith in growth.

The inertia of economic orthodoxy

In the period since the 2008 Financial Crisis there has been growing and increasingly urgent concern with the perceived detrimental impacts of the globally dominant neo-liberal economic order. These concerns, although varied in character, tend to have coalesced into two interconnected themes: firstly, the contribution of the economic orthodoxy to extreme economic inequalities (see for example: Atkinson, 2015; Castells et. al., 2012; Dorling, 2015); and secondly, its contribution to a growing planetary environmental crisis (see for example: Borucke, 2013; Jackson, 2009). Not only has globalised neo-liberalism failed to address these issues, but it is increasingly believed that it actively shapes them (Lang and Marsden, 2018). Despite these criticisms of neo-liberalised policy, it still remains a dominant discourse. Why is this?

Despite growing evidence to the contrary, it continues to be generally assumed and asserted by politicians and policy-makers across the political spectrum that everyone benefits from economic growth. To re-use Roosevelt’s famous maxim, with a rising tide, all the boats rise up in the harbour. This is now re-echoed by the regular maxim of ‘levelling up’ with regard mainly to the Northern English regions. The dominant agglomerative model de-emphasises the effects of widening social and spatial inequalities. It also pays scant attention to the changes that are becoming increasingly clear in the ‘under-developing’ tendencies of industrial-based capitalism, whereby: financialisation gains surplus over productive investments, there is declining demand for human labour, and automation reinforces class inequalities (see: Benanav, 2019; Hardt and Negri, 2019).

For Lang and Marsden (2018), the problem is one of measurements of success, and this is particularly challenging for the environmental crisis. In short, the growing recognition of the environmental externalities created by agglomerative growth are now significantly ‘raising costs’, not least in towns and cities with regard to air and water pollution, flooding, urban forms of stress and mental health, housing unaffordability, and rising environmental health concerns; and now of course disproportionate vulnerabilities to Covid and the like. As such the costs of ‘growth’ no longer stack up, indeed many cities are becoming unattractive locations due to these factors, and new conceptualisations of the ‘re-generative’ and more distributed city are increasingly recognised (see Girardet, 2015; see also Mehmood, 2019). The orthodox model therefore assumes growth, but overlooks overall costs. These overlooked costs include social inequalities, ecological impacts and the spatial inequalities that derive from agglomeration.

Nevertheless, as we focus here upon the case of Wales, we witness significant inertia in both established political and economic thinking and actions despite the climate emergency, and long lasting and widening spatial inequalities. Growth and economic success have become synonymous and, consequently, this restricted notion of growth is still the standard by which government economic policy success tends to be judged. Underpinning this assumption is the view that because growth produced some worthwhile outcomes for a limited period of time, particularly during the 1960s and 70s, it is always a desirable objective (Bleys and Whitby, 2015; Spretnak and Capra, 1986). Consequently, it continues to be believed that everyone benefits from a growing economy (hence the current UK Government policy discourse of ‘levelling up’). The 1960s and 70s model of growth, however, has now reached its severe limits: both in its exploitation of ecological resources and in its abilities to create and equitably share wealth through the labour market.
One of the core issues with growth as a measurement of economic success appears to be a reliance on Gross Domestic Product (GDP) as the metric on which it is generally calculated (Lang and Marsden, 2018). GDP is defined by the ONS as the value of goods and services produced during a given period. Kuznets, who is credited for the development of GDP, suggested that anything detrimental to welfare - such as inequality, poverty, and ecological degradation - should be excluded. The way that economic growth is calculated today, however, ignores Kuznets’ warning (Pilling, 2018), and as a result it is not an appropriate measure of well-being. In the 30 years since the Brundtland (1987) report for the UN highlighted the detrimental impact that the economies were having on the global environment, the environmental crisis has grown exponentially, and global inequalities have become extreme. Nevertheless, although growth remains strongly entrenched in the mainstream economic policy mindset, the search for alternatives does appear to be underway.

The United Nations’ Stiglitz (2009) report suggested that the reform of the international system after the Great Financial Crisis should entailed pursuing long-term objectives, such as sustainable and equitable growth, responsible use of natural resources, reduction of greenhouse gas emissions. Growth driven economies depend, however, on the increased consumption of finite resources (land, water, energy) and, even where these are supported by green technologies, their supply remains finite (Sutton, 2017). This prompted the New Economics Foundation, amongst others, to concluded that ‘unending global economic growth...[is] neither desirable nor necessary’ (Murphy, 2010, p. 124). Castells et. al. (2012) suggested that the crisis triggered structural changes and that in some places an alternative economy was emerging with a different set of values based on a rejection of previous practice. This alternative economy offered, they said, the greatest potential to help move toward a more sustainable economic future.

The Ellen MacArthur Foundation sought to decouple economic value creation from resource consumption by promoting the idea of a ‘Circular Economy’ (Ellen MacArthur Foundation, 2016). Interest in the Circular Economy is growing internationally, for example the EU has a Circular Economy Action Plan (European Commission, 2017), but recently concerns have been raised about the perceived benefits of the Circular Economy model. Zink and Geyer (2017) suggested that the economics of the Circular Economy might partially offset the potential benefits as ultimately lower per-unit production impacts, also cause increased levels of production, which reduce their benefit. They describe this as ‘circular economy rebound’. A similar point was previously made by Jackson (2009), who argued that ‘those who promote decoupling as an escape route from the dilemma of growth need to take a closer look at the historical evidence...improvements in energy (and carbon) intensity...were offset by increases in the scale of economic activity...’ (p. 86). This suggests that a more radical change may be required.

Gulliver (2017) developed what he called a manifesto for the ‘Human City’, which is: ‘a geographically defined settlement – a city, town or village – where policies, practices and initiatives are enacted to ensure the best of human endeavours can flourish and where citizens and communities can shape an equitable, affordable and a shared society’ (p. 13). He argued that localised economies based on small enterprise and local or community ownership, can be more cost-effective in economic terms, whilst also supporting citizen and community engagement, boosting health, well-being and localised viability. Johansson et. al. (2005) argued for a transformation in the industrial system towards a model of the ‘distributed economy’, thereby moving away from socio-economically and environmentally unsustainable large-scale centralised production. The problems seemingly inherent in the growth-based economic model have led to a reviving interest in ‘steady-state’ economics closely associated with Daly (1973), as well as with ‘degrowth’ (Fioramonti, 2017). Alongside this more radical literature, has been development of policy responses around the notion of ‘decoupling’, which we shall now consider.
The problems of decoupling

Decoupling, the idea that growth can be pursued without negative environmental impact, has gained significant traction with governments and policy makers across the world. It was adopted as a policy objective by the OECD in 2009, and subsequently led to the development of its green growth strategy (OECD, 2011). The European Commission also committed to decoupling, suggesting that ‘through greater efficiency and better use of natural resources, we can break the old link between economic growth and environmental damage’ (European Commission, 2001, p.3). The United Nations Environment Programme’s strategy on the green economy made similar commitments (United Nations EP, 2011). The World Bank sought to support inclusive as well as green growth in its commitment to decouple (World Bank, 2012). What underpins each of these is a faith that it is possible to continue to pursue growth as a primary economic policy objective, without damaging the environment further. There are connections here between these perspectives and the circular economy mentioned above. There are serious concerns, however, about the logic underpinning the green growth perspective.

Parrique et. al. (2019) suggested that green growth is based on a flawed assumption that sufficient decoupling can be achieved through increased efficiency without limiting growth. The validity of the green growth discourse, they suggest, ‘...relies on the assumption of an absolute, permanent, global, large and fast enough decoupling of economic growth from all critical environmental pressures’ (p. 4). These assumptions appear to continue to echo the late 1990s assumptions of ‘double dividend’ ecological modernisation theory (see for example: Fullerton and Metcalf, 1997). Parrique et. al. intimate that decoupling needs to be sufficiently large in affluent countries in order to free the ecological space necessary for production and consumption in regions where basic needs are unmet. They argue that there is no empirical evidence for such a decoupling currently happening and it is unlikely to happen in the future for seven reasons:

1. **Rising energy expenditures** (when extracting a resource, cheaper options are generally used first, the extraction of remaining stocks then becoming a more resource and energy-intensive process).
2. **Rebound effects** (efficiency improvements are often partly or totally compensated by a reallocation of saved resources and money to either more of the same consumption, or other impactful consumptions. It can also generate structural changes in the economy that induce higher consumption).
3. **Problem shifting** (technological solutions to one environmental problem can create new ones and/or exacerbate others).
4. **The underestimated impact of services** (the service economy can only exist on top of the material economy, not instead of it).
5. **Limited potential of recycling** (recycling rates are currently low and only slowly increasing, and recycling processes require a significant amount of energy and virgin raw materials).
6. **Insufficient and inappropriate technological change** (technological progress is not targeting the factors of production that matter for ecological sustainability and not leading to the type of innovations that reduce environmental pressures).
7. **Cost shifting** (what has been observed and termed as decoupling in some local cases was generally only apparent decoupling resulting mostly from an externalisation of environmental impact).

We suggest that a further major trend could be added to this list:

8. **Continued privatization of the ‘commons’** (through advances in extraction, data mining and biophysical processes - what Christophers (2018) calls the ‘new enclosures’ - this relies upon a neo-liberal state willing to grant more privatized enclosures as indeed corporate capitalist development confronts limits on extraction not least from environmental resistance movements). This correspondingly reduces nature-based ‘common-pool resources’, as we
have seen in the UK over the past 30 years, with the amount of publicly owned urban and rural land being reduced by 50% since the early 1980s.

Parrique et al. (2019) thus conclude that green growth is not possible and should not be the primary objective of environmental policy. These are serious notes of caution that in their recent embrace of the foundational economy (see below), policy makers need to directly address. In doing so, we suggest that there are several points to consider:

• We can’t have it both ways. Ecological modernisation based upon green growth conceptions is not delivering for as long as it compromises with two dominant discourses: continued neo-liberalising and multi-level states that finance the agglomerative growth model and all its flawed ‘trickle down’ assumptions; and, a reliance upon restrictive definitions of growth and competitiveness that exclude more embracing concepts of asset wealth and well-being.

• To embrace conceptions of sustainable well-being it is necessary to jettison the idea that we can continue with a sort of co-evolutionary and binary model of spatial and eco-economic development, which supports and leaves the dominant growth model largely intact, whilst also marginally supporting alternatives like the foundational economy.

• How would we redraw the sustainable eco-economy in the context of widening and developing the foundational and distributed economy?

• It would seem one part of the answer lies in the state re-defining the boundaries between private and common enclosures; thus re-creating rights and autonomies in and through places (see Mehmood et al, 2019).

We will now focus in more detail on Wales as an exploratory case study to consider these issues further. Wales is an important and instructive case here. Not only have its government and policy communities appeared to have displayed more interest in engaging with foundational economics than most other governments to date, but it has also passed well-being legislation that is specifically designed to ensure long-term sustainability. The challenge for Welsh policy-makers, as we shall see, is not only to successfully pursue an interest in foundational economics, but also to ensure this policy agenda is consistent with broader sustainability imperatives. The question is: can Wales adopt and successfully implement a model of foundational economics, that not only addresses socio-economic inequality, but does so in a sustainable way that helps overcome the global environmental crisis? More generally then, can this contribute to a ‘final departure’ from orthodox neo-liberalist models of growth and development by meeting the direct challenges of the environmental crisis? Or do these still lurk and act in the background?

**Welsh economic policy and a convergence with sustainability and planning policies?**

Despite a distinctive politics, the Welsh economic policy landscape has been largely consistent with the broader UK approach over the past decade. The logic of internationally competitive city regions, including an emphasis on securing FDI through international competition, has been accompanied by the targeting of ‘key sectors’, a series of new Enterprise Zones have been created and City/Growth Deals have been, or are in the process of being, established. The Welsh Government’s current economic action plan Prosperity for All (Welsh Government, 2017) restated a commitment to pursue economic growth as an overriding economic objective and as a means to tackle economic inequalities. The strategy also restated a commitment to refocus economic development efforts on national and foundation sectors. These ‘thematic’ sectors include what are called: Tradable Services, High Value Manufacturing and Enablers. In addition, four ‘foundation sectors’ were also identified: tourism, food, retail and care. The strategy also declared commitment to spread growth across Wales through a place-based approach to economic development, although it should be noted that within the context of the
At the same time as these economic goals have been formulated, Wales passed the Well-being of Future Generations (Wales) Act in 2015, which embodied a series of interrelated environmental and sustainability goals into the heart of all Welsh policy-making (this is discussed in greater detail below). This has been followed by the Welsh Government’s declaration of a climate and nature emergency. Wales’ first State of the Natural Resources report concluded that none of Wales’ eco-systems have all the attributes required for resilience. Wildlife continues to decline with one in six species at risk of extinction. Air pollution is a particular and growing problem as is water pollution and flooding. Biodiversity decline goes hand in hand with both carbon-based agricultural practices especially on the farmed landscape and regarding non-agricultural infrastructure developments.

The recent economic strategy (Welsh Government, 2017) also outlined an ‘Economic Contract’. This contract aims to ‘stimulate growth, increase productivity and make Wales fairer and more competitive’ (p. 8). The Economic Contract requires businesses seeking Welsh Government financial support to demonstrate:

- Growth potential (measured for example, by contribution to employment, productivity, or multiplier effects through the supply chain).
- Fair Work (as defined by the Fair Work Board).
- Promotion of health, including a special emphasis on mental health, skills and learning in the workplace.
- Progress in reducing carbon footprint.

In relation to the latter, the strategy states: ‘we need to transform our economy to use fewer resources per unit output and keep products and material resources in high value use for as long as possible. We are helping businesses through the transition to a low carbon economy and are coupling this with a move to a circular economy’ (p. 25). The strategy appears to reference the circular economy, as a means to ensure economic growth does not lead to further environmental degradation. The Welsh Government would appear to have adopted a faith in the decoupling thesis.

More recently, the Welsh Government (2019a) draft International Strategy has been published. This had three stated aims:
- Raise Wales’ profile internationally.
- Increase our exports and encourage inward investment, growing our economy and creating new jobs and opportunities for people in Wales.
- Show the world what we are doing as a globally responsible nation.

Furthermore, the strategy highlighted three ‘centres for excellence’, these were: cyber security, compound-semiconductors, creative industries (television and film). It does not explain how this approach will reduce economic inequality or address the climate crisis.

The Welsh Government (2019b) also recently published its new NDF (National Development Framework), or spatial plan, which ‘will ensure the planning system nationally, regionally and locally focusses on delivering a decarbonised and resilient Wales through the places we create, the energy we generate and use, a circular economy, the houses we live in and the way we travel’ (p.15). (This document has been subsequently updated as: Future Wales: the national plan for 2040 [2020]). Moreover, it stated that ‘decarbonisation and renewable energy commitments and targets will be treated as opportunities to build a more resilient and equitable low-carbon economy, develop clean and efficient transport infrastructure, improve public health and generate skilled jobs in new sectors’, and ‘towns and cities...are a focus and springboard for sustainable growth’ (p. 21).
therefore commits Welsh Government to a revised model of ‘sustainable growth’, and again demonstrates its faith in decoupling. For us, however, the Welsh Government’s NDF so far tends to adopt rather conventional spatial planning and settlement planning concepts that may not be appropriate for stimulating foundational, sustainable or distributed economic approaches. This approach divides to country into three sub-regions (North-east, Mid and South West, and South east Wales). Whilst it recognises that over 40% of the total population in Wales live in settlements of 10,000 or less, the approach to ‘growth’ is focussed upon the large urban centres. In the vast rural region of Mid and West Wales, for instance, where 67% of the population live in communities of less than 2000 population, there is little recognition of the need for a strong distributed and foundational approach to these local economies and communities. Here significant improvements in digital infrastructures, and a strong and bespoke emphasis upon small enterprise development is critical. There is then more than a hint here that strategic planning policy is at some distance from the more innovative green economy agenda in assuming conventional and largely agglomerative ‘growth’ assumptions.

**Well-being in Wales**

As indicated above, Wales has legislated to enshrine well-being as a policy goal. The Well-being of Future Generations (Wales) Act (2015) places a legal duty on all devolved public bodies in Wales that requires them to safeguard and improve the economic, social, environmental and cultural well-being of Wales. The Act has seven Well-being Goals: Prosperous Wales, Resilient Wales, Healthier Wales, More Equal Wales, Wales of Cohesive Communities, Wales of Vibrant Culture and Thriving Welsh Language, and A Globally Responsible Wales. The Act also has a Sustainable Development Principle and ‘Five Ways of Working’, which devolved public bodies are required to demonstrate that they have applied. In many respects it embodies and extends many of the wider Sustainable Development Goals developed by the UN (United Nations, 2015). In particular, SDG1 (wellbeing), SDG8 (on creating decent working conditions and sustainable economic growth) and SDG12, concerning responsible production and consumption.

The Future Generations Act presents a series of wider considerations for Wales’ policy landscape, including the degree to which economic development in Wales is aligned with these goals. Moreover, the tensions between ‘non-devolved’ economic programmes like City/Regional Growth Deals (which are measured entirely on their contribution to growth) and the broader well-being requirements of the Act, are unresolved. Ecological economics, which we suggest is espoused and necessitated by Wales’ well-being legislation, requires a new set of economic indicators, which include sustainability, social justice, needs and equity. For us, these are unlikely to be consistent with and indeed come into conflict with the overall growth-based objectives of, for example, the City Deal programme. Measurements of success embodied in the City Deal programme appear to be limited to numbers of jobs created and regional growth.

There are growing examples internationally of efforts to adopt broader measurements of economic success, which are more consistent with the sustainable development principle and that contribute readily to well-being. The UN 2030 Agenda for Sustainable Development, for example, calls for an agenda based on people, planet and prosperity, and identifies that eradicating poverty is an indispensable requirement for sustainable development (United Nations, 2015). This builds on the work of the UN Brundtland Commission (1987), and has led to greater international interest in alternative measures of economic success that are more consistent with sustainable development such as the Genuine Progress Indicator (GPI) (Kubiszewski et.al., 2013).

It is important to distinguish well-being and prosperity from a pursuit economic growth. Tim Jackson’s Prosperity Without Growth (2009) sought to show that growth is not a prerequisite of prosperity or, more recently, well-being. Isham et. al. (2018) identify a series of ‘high-flow [those activities requiring
higher mental engagement of the participant], low–environmental impact activities’ – romantic relationships, spirituality, creative activities, physical activity, and engagement with others – which they suggest ‘may well provide a path to a sustainable prosperity coupled with enhanced psychological well-being’, but which are not dependent of growth (p. 454). This is an important distinction in addressing the Prosperous Wales goal of the Welsh well-being legislation, and one which economic policy-makers in Wales tend not to make.

Embracing the foundational?

Prompted by concerns regarding how economic policy tends to focus only on sectors that have been ‘framed’ as having potential for growth, development and export potential, the Centre for Research on Social and Cultural Change (CRESC) sought to develop understanding of what it called the ‘foundational economy’ (Bentham et. al., 2013). The problem, for CRESC, was that favoured sectors have become almost the sole focus of economic policy and regional development. These sectors, they argued, had little potential to build stable and sustainable economies for the future. CRESC identified two core issues: the sectors favoured by economic policy represent a relatively small proportion of the economy; and, individual governments lack the policy levers to reformat the economy so that these sectors are the primary economic motor, particularly given the fierce competition that exists from all other advanced economies pursuing similar strategies. CRESC also highlighted the significant spatial imbalances inherent in these sectors.

The foundational economy, in contrast, was defined by CRESC as a ‘…producing welfare-critical goods and services like housing, education, childcare, healthcare and utility supply’, (Froud et. al, 2018a, p.19). CRESC’s foundational economy appears to echo Blumenfeld’s (1955) position that ‘the basic economy’ consists of those activities citizens supply one another. From this perspective, ‘…urban development policy should therefore focus not only on the inherently volatile segments of the urban economy, but also on the economic activities that maintain the daily functioning of the metropolis and its citizens’ (De Boeck et. al., 2019, p. 75).

Significant interest in the concept of the foundational economy has subsequently emerged, particularly in Wales, where, as indicated above, the Welsh Government has acknowledged its importance in its most recent economic strategy (Welsh Government, 2017). Earle et. al. (2017) suggested that a ‘…progressive Welsh social vision of what the public sector can do has until recently co-existed [our emphasis] with Welsh Government’s orthodox economic policies about growth and jobs from the private sector, through skills and infrastructure which will attract inward investment’ (p. 10). Moreover, they argued that these policies have failed to meet their objective of closing the GVA gap and have consequently been discredited. We would suggest that this policy co-existence persists and can be identified in the most recent Welsh Government economic strategies outlined above. In essence, the Welsh Government’s economic policy agenda appears to want to ‘ride two horses’: espousing foundational economy as an experimental element of the Welsh economic policy landscape, whilst continuing to adopt standard measurements of ‘growth’ in its broader economic policy approach. This, we further suggest, is leading to inconsistencies and unresolved tensions between economic policy and broader well-being requirements.

Froud et. al. (2018b) sought to develop the concept of ‘Foundational Liveability’ as an alternative to traditional GVA measurements of economic well-being. They stated, ‘...the GVA per capita figures are an uninformative and often misleading way of ranking regions which misdirect public policy’. Instead, they suggest ‘...an alternative concept of foundational liveability for household units....by considering gross, disposable and residual income obtained by subtracting housing and transport costs from the disposable income of owner occupier households’. They caution that, ‘...without new metrics for foundational success, there is an ever present danger that the foundational economy is seen as new
sectors like care and retail which will deliver the old objectives of GVA growth and high value added jobs to deliver “inclusive growth” in a laggard region’ (pp. 1-2). This is an important note of caution and one that is currently the source of much debate in Wales.

It is against this background that the Welsh Government has recently established a Foundational Economy Challenge Fund (Welsh Government, 2019c), which is a competitive fund open to public, private or third sector businesses in the foundational economy to bid for up to £100k to ‘...conceive and introduce innovative ways of working which help to raise the profile of the foundational economy and to stimulate debate and learning on what works’. The fund aims to ‘...create additional capacity to challenge and change the ways of working. The challenges and ways of working may, for example, relate to the recruitment, retention and skills of the workforce; the delivery structures and design of services; boosting the impact of local purchasing; and ways of involving citizens in the design of services.’

Alongside this interest in the foundational economy in Wales, there has been a growing awareness of the role and potential of ‘anchor institutions’, and the boundaries between the two are often confused. Taylor and Luter (2013) suggested that deindustrialisation, the globalisation of capital, and the decline of town centres have created precarious social and economic contexts, which have ‘...caused anchor institutions to evolve as critical sources of stability, growth and development’ (p. 1). Such institutions were first identified in the US in the late 1960s, when many American cities were showing the clear signs of the urban decay that would soon be felt across other countries. At this time, higher education and academic medical centres in particular began to consciously act as community ‘anchors’.

The agenda has subsequently moved beyond higher education and medical institutions. Harkavy and Zuckerman (1999) suggested that towns and cities had ‘fixed assets’ that could help regenerate them, and that these assets were large and spatially immobile institutions. The scale of anchor institutions like universities causes them to have a major impact on local economies in multiple ways whether by design or by default. These impacts are felt through procurement, investment, real estate development, business incubation, and, in the case of universities, the purchases made by their students, faculties and staff (Hodges and Dubb, 2012).

Although much of the literature on anchor institutions tends to focus on economic development, there has been a growing concern with their social development functions. (Hodges and Dubb, 2012; Smallbone et. al., 2015). Hospitals in the US have been at the forefront of this movement, as their decisions have tended to be based on their aim to use their resources to target the specific social determinants of health, including access to affordable housing, education and healthy food. Several US hospitals have now developed supplier diversity programmes, which aim to increase the number of their supplier companies that are locally owned by ethnic minorities, women and veterans (Zuckerman et. al., 2013). Similar initiatives have also been developed in the UK including, for example, the Maudsley Health Trust in South London (Smallbone et. al., 2007).

Although hospitals are clearly at the forefront of such initiatives, others have argued that, in practice, other types of anchor institutions should consider whether anchors are best equipped to address social disinvestment, and if they should instead partner with other stakeholders (Ehlenz, 2018). This suggests the need to develop local and regional partnerships of anchor institutions, with each partner contributing to the mix according to their own resources and skills. Birley (2017) has suggested some practical steps for the establishment of a network for local and regional anchors involving a basic framework of behaviours to support shared outcomes on local economic development, participation in community wealth building and local employment. In the UK, Preston has attracted much interest

---

1 Internet webpage source - a full list of funded projects is also included on the Welsh Government website (accessed 8/4/20): https://businesswales.gov.wales/foundational-economy
by appearing to adopt this approach and its apparent success is now being studied by other localities, including Wales, which are seeking to emulate it.

It is perhaps not surprising, given this growing interest in anchor institutions and community wealth building, that the foundational economy policy agenda in Wales, as elsewhere, is becoming synonymous with it. Of the successful bids to the Welsh Government’s Foundation Economy Challenge Fund, the overwhelming majority were associated with what might broadly be regarded as anchor intuitions (particularly local authorities, and also registered social landlords) (Welsh Government, 2020). Undeniably important though the role of anchor institutions may be, there is a danger that some of the potential from a concerted focus on the foundational economy may be missed if it is too closely allied with an anchor institution wealth anchoring and local growth agenda. It is unclear how these address the environmental crisis, if indeed they do at all.

Evidence of the tension that exists between Welsh Government’s continued commitment to economic growth and broader environmental concerns is illustrated by a recent online article from the Office of the Future Generations Commissioner for Wales (IWA, 2020), which suggested that although direct investment by the Welsh Government in decarbonising actions has increased, it was starting from a low base. Moreover, it stated that in the context of a climate emergency, the Welsh Government should pursue ‘all possible levers for action, including direct spend, regulation, taxation, and initiatives aimed at achieving behaviour change’…a Government which has declared a climate emergency should not be investing in hospitals, schools, houses, or transport solutions which are not carbon neutral without a compelling case’. This suggests an urgent need to address the ecological dimensions of the foundational economy policy implementation in Wales, and to address the more fundamental questions of whether it is possible to promote its growth and, at the same time, protect and restore the environment.

In the post-2008 context, Castells et. al. (2012) argued for a focus on an alternative economic approach based on a different set of values. It is important for the foundation economy to reflect this different set of values, not simply morph into a bolt-on sector in the overall drive to achieve economic growth. Lang and Marsden (2018) suggested that the focus of economic policy should be about delivering broader well-being and ecological sustainability rather than growth. A distributed economic approach would require local authorities and Welsh Government not only to invest in pilot projects of the foundational economy, but also in ‘deep place-making’ processes that consider the holistic nature of the place-based asset base in communities as advocated in Adamson and Lang’s (2014) Deep Place study, as well as Lang’s most recent (2019) Llandovery Deep Place Study. Primarily action research, these Deep Place studies suggest that localised action, based on a multiplicity of smaller choices, can often have a significant impact on strengthening community resilience against external forces. The studies therefore seek to offer a deep understanding of each location, using a mix of quantitative and qualitative methods, and then offer a range of possible actions that may assist the community to become more economically and environmentally sustainable over the longer term.

**Conclusions: toward a real eco-economic paradigm for Wales? Or ‘riding two horses’?**

This paper considers the recent Welsh policy responses to growing global economic inequalities and an urgent ecological crisis. It suggests that these concerns have not yet led to an abandonment of the dominant paradigm of competitive agglomeration, nor have they undermined a general faith by policymakers that everyone benefits from the restricted notions of conventional models of growth. The ready embrace of the circular economy and a pursuance of the decoupling thesis by governments has potentially offered them a ‘get out of jail free card’, whereby growth can still be pursued, as it offers the potential to decouple it from negative environmental impact. Currently, barriers and ‘Chinese walls’ are emerging between Westminster, Welsh Government and the Welsh Future Generations
Commissioner with regard to the ‘riding the two horses’ of what we argue are the inherently incompatible models of economic development and well-being discussed in this paper. This is contradictory and could potentially reduce Wales’ ability to build a truly post-carbon economy and might permit spatial and social inequality to remain largely in place.

Even though the pioneering well-being legislation in Wales does not yet appear so far to have seriously challenged orthodox economic policy in the country, recently a search for alternatives on the margins has led the Welsh Government to begin to experiment with the foundational economy (see Davidson, 2020). This development does offer some real opportunities for policy experimentation, but its success will depend on whether the positive environmental potential of the foundational economy is fully exploited, as well as the social equality potential. As it has only recently emerged through incremental discourse and some element of policy-based experiment, it is worth pausing to unpack the concept of the foundational economy. We would suggest there are three distinct, but interconnected elements. Firstly, the term ‘foundational economy’ was coined as a description of part of the overall economy. Secondly, the foundational economy has emerged as a prescriptive ‘call to arms’ to address a set of economic deficiencies, largely tied to social outcomes, and indeed related to the very failure of conventional models of growth. Thirdly, there is a less well developed and little discussed set of normative judgements.

As the development of the descriptive and prescriptive dimensions of the foundational economy and de-coupling models are taken forward, it is important that the normative dimension is not neglected. A clear and explicit agreement of desired normative outcomes is an important precursor to prescriptive actions. Such outcomes need to include ecological as well as social considerations as central parts of the new ‘economic’. This means taking the new and evolving economic principles in the Welsh well-being legislation seriously and the development a more integrated economic development policy which is distributed and socially equitable, and post-carbonised. Any new Wales spatial plan should start with spatial equality as a normative basis for developing the Wales eco-economy, and should challenge restricted notions of the advantages of the agglomerative economy in post-carbonism and indeed post-industrialised transitions. Thus far, Wales’ policy experimentation does not appear to have fundamentally challenged faith in the growth-based agglomerative economic model and is at best attempting to ‘ride two horses’. These internal policy contradictions are coming more to the fore now as Wales faces the exogenous challenges created by both Covid and Brexit. Combined they set an urgency upon regenerating a more sustainable and post carbonised economy based upon more distributed rather than agglomerative lines. Moreover, they further seriously question former inward investment logics vis a vis small business and endogenous foundational growth.

Much of the attention has been on community wealth anchoring, and important though this clearly is, it needs to be part of a wider sustainable place-making agenda that is required to address environmental as well as social ills (see Mehmood et al., 2019). We would thus suggest that we need a debate about a post-carbonised spatial and economic strategy for Wales, which jettison’s its adherence to conventional and exogenously generated ‘growth’ models based upon the sanctity of concentration and agglomeration as the ‘holy grail’ of economic development. Instead, Welsh policy needs to consider a more inclusive and endogenous, and albeit diversified and distributed model of economic and spatial development that includes all of its regions and types of places and spaces.

Espousing and expanding the ‘foundational economy’ may indeed be an important part of this armoury, but it cannot do it isolation, or, as currently with one arm tied behind its back - deferentially looking over its shoulder at the conventional carbonised growth model. The very principles of the foundational economy need further linking to de-coupled and indeed re-coupled and diverse, spatially embedded economic approaches that fit the variable place-based nature of economic activities in Wales. These can be associated with harnessing the bio-sphere for renewable energy, food and material goods and
services, not least as the Wales spatial plan sets targets for 70 percent renewable energy use by 2030, and the planting of 2000ha of woodland and forest form 2020. What constitute real ‘anchor’ institutions and infrastructures is a central part of the process of re-definition, but so do communities’ redefinition of their own access to skills knowledge and regenerative resources.

References


Smallbone D, Kitching J, Blackburn R and Mosavi S (2015) *Anchor institutions and small firms in the UK: A review of the literature on anchor institutions and their role in developing management and leadership skills in small firms*. Wath-upon-Dearne: UKCES.


