

# Why it's time for Doughnut Economics

Kate Raworth

*Economics needs a new mindset to be fit for tackling this century's social and ecological challenges. The Doughnut of social and planetary boundaries offers a compass for those seeking to achieve this.*

If there is one thing that 21st-century policymakers urgently need in these times of global environmental change, it is a new compass. Last century's adopted policy goal of never-ending Gross Domestic Product (GDP) growth has been leading us far off course, resulting in economies that are degenerative, running down the living world on which human wellbeing fundamentally depends, and that are also divisive, enriching the 1 per cent at the expense of the rest.

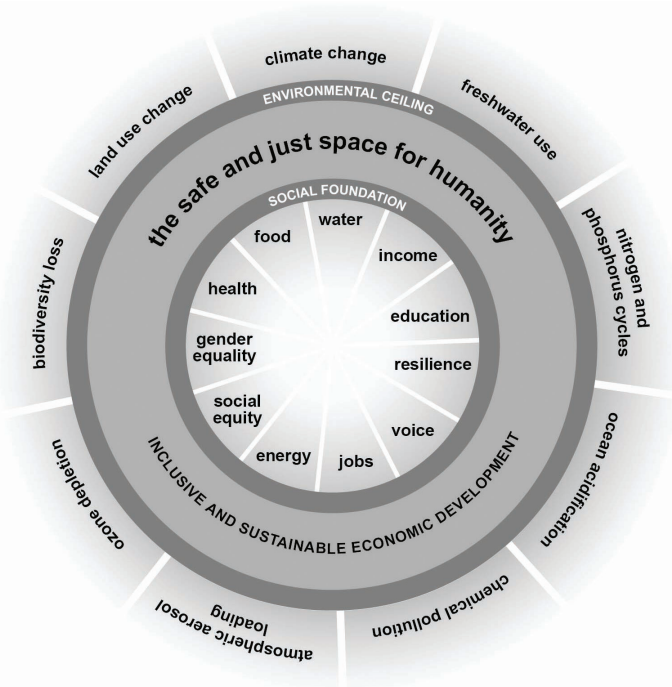
The Doughnut of social and planetary boundaries offers such a compass. The hole in the middle reveals the extent to which people worldwide are falling short on life's essentials, such as food and water, healthcare and housing, gender equality and political voice – the 12 social priorities set out in the United Nations Sustainable Development Goals. Beyond the Doughnut's outer ring, however, humanity risks putting so much pressure on Earth's critical life-supporting systems, known as planetary boundaries, that we kick them out of kilter, such as by causing climate breakdown, ocean acidification and extreme biodiversity loss. Between these two sets of boundaries lies a possible future for humanity in which it is feasible to meet the needs of all within the means of the planet.

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What would it take to bring this possible future about? Many changes, of course, but a fundamental one is to transform the mainstream economic mindset that is currently taught in universities, debated in parliaments and implemented by policymakers worldwide. Economics is the mother tongue

of public policy, and the tool used to tackle global poverty and manage our planetary home. And its fundamental ideas are centuries out of date, yet still dominate decision-making for the future.

## THE DOUGHNUT OF SOCIAL AND PLANETARY BOUNDARIES



Today's economics students will be among the influential citizens and policymakers shaping human societies in 2050. But the economic mindset that they are being taught is rooted in the textbooks of 1950, which, in turn, are grounded in the theories of 1850. Given the challenges of the 21st century, this is shaping up to be a disaster. We stand little chance of creating an economic mindset that is fit for our times if we keep falling back on last century's economic textbooks.

When I studied economics at university 25 years ago, I believed it would empower me to help tackle humanity's social and environmental challenges. But like many of today's disillusioned students, its disconnect from relevance and reality left me deeply frustrated. So I walked away from its

theories and immersed myself in real-world economic challenges, from the villages of Zanzibar to the headquarters of the United Nations, and then to the campaign frontlines of Oxfam.

In the process, I realised the obvious: that you can't walk away from economics because it frames the world we inhabit. So I decided to walk back towards it and flip it on its head. What if we started economics with humanity's goals for the 21st century, and then asked what economic mindset would give us even half a chance of achieving them?

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Spurred on by this question, I pushed aside my old economics textbooks and sought out the best emerging ideas that I could find, drawing on diverse schools of thought – including complexity, ecological, feminist, behavioural and institutional economics – and set out to discover what happens when they all dance on the same page. The insights that I drew out imply that the economic future will be fascinating, but wildly unlike the past, so long as we equip ourselves with the mindset needed to take it on. So here are seven ways in which I believe we can all start to think like 21st-century economists.

## **1. CHANGE THE GOAL: FROM GDP GROWTH TO THE DOUGHNUT**

For over half a century, economists have fixated on GDP as the first measure of economic progress, but GDP is a false goal waiting to be ousted. The 21st century calls for a far more ambitious and global economic goal: meeting the needs of all within the means of the planet. Draw that goal on the page and – odd though it sounds – it comes out looking like a doughnut, like the one above. The challenge now is to create local to global economies that ensure that no one falls short on life's essentials – from food and housing to healthcare and political voice – while safeguarding Earth's life-giving systems, from a stable climate and fertile soils to healthy oceans and a protective ozone layer. This single switch of purpose transforms the meaning and shape of economic progress: from endless growth to thriving in balance.

## 2. SEE THE BIG PICTURE: FROM SELF-CONTAINED MARKET TO EMBEDDED ECONOMY

Seventy years ago in April 1947, an ambitious band of economists crafted a neoliberal story of the economy and, since Thatcher and Reagan came to power in the 1980s, it has dominated the international stage. Its narrative about the efficiency of the market, the incompetence of the state, the domesticity of the household and the tragedy of the commons, has helped to push many societies towards social and ecological collapse. It's time to write a new economic story fit for this century – one that sees the economy's dependence on society and the living world.

This story must recognise:

- the power of the market – so let's embed it wisely
- the partnership of the state – so let's hold it to account
- the core role of the household – so let's value its contribution, and
- the creativity of the commons – so let's unleash their potential.

## 3. NURTURE HUMAN NATURE: FROM 'RATIONAL ECONOMIC MAN' TO SOCIAL ADAPTABLE HUMANS

The character at the heart of 20th-century economics – 'rational economic man' – presents a pitiful portrait of humanity: he stands alone, with money in his hand, a calculator in his head, ego in his heart and nature at his feet. Worse, when we are told that he is like us, we actually start to become more like him, to the detriment of our communities and the planet. But human nature is far richer than this, as emerging sketches of our new self-portrait reveal: we are reciprocating, interdependent, approximating people deeply embedded within the living world. It's time to put this new portrait of humanity at the heart of economic theory so that economics can start to nurture the best of human nature. Doing so will give us – all 10 billion of us to come – a far greater chance of thriving together.

## 4. GET SAVVY WITH SYSTEMS: FROM MECHANICAL EQUILIBRIUM TO DYNAMIC COMPLEXITY

Economics has long suffered from physics envy: awed by the genius of Isaac Newton and his insights into the physical laws of motion, 19th-century economists became fixated on discovering equivalent economic laws of motion. But these simply don't exist: they are mere models, just like the theory of market equilibrium, which blinded economists to the looming financial crash of 2008. That's why 21st-century economists embrace

complexity and evolutionary thinking instead. Putting dynamic thinking at the heart of economics opens up new insights for understanding the rise of the 1 per cent and the boom and bust of financial markets. It's time to stop searching for the economy's elusive control levers (because they don't exist), and instead start stewarding the economy as an ever-evolving system.

## 5. DESIGN TO DISTRIBUTE: FROM 'GROWTH WILL EVEN IT UP AGAIN' TO DISTRIBUTIVE BY DESIGN

In the 20th century, economic theory whispered a powerful message when it comes to inequality: it has to get worse before it can get better, and growth will eventually even things up. But extreme inequality, as it turns out, is not an economic law or necessity: it is a design failure. Twenty-first-century economists recognise that there are many ways to design economies to be far more distributive of value among those who help to generate it. And that means going beyond redistributing income to pre-distributing wealth, such as the wealth that lies in controlling land, enterprise, and the power to create money.

## 6. CREATE TO REGENERATE: FROM 'GROWTH WILL CLEAN IT UP AGAIN' TO REGENERATIVE BY DESIGN

Economic theory has long portrayed a clean environment as a luxury good, affordable only for the well-off – a view that implies that pollution has to increase before it can decline, and (guess what), growth will eventually clean it up. But as with inequality, there is no such economic law: environmental degradation is the result of degenerative industrial design. This century calls for economic thinking that unleashes the potential of regenerative design in order to create a circular, not linear, economy that works with and within the cycles of the living world.

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## 7. BE AGNOSTIC ABOUT GROWTH: FROM GROWTH-ADDICTED TO GROWTH-AGNOSTIC

To the alarm of governments and financiers, forecasts for GDP growth in many high-income countries are flatlining, opening up a crisis in growth-based economics. Mainstream economics views endless GDP growth as a must, but nothing in nature grows forever, and the economic attempt to

buck that trend is raising tough questions in high-income but low-growth countries. That's because today we have economies that need to grow, whether or not they make us thrive. What we need are economies that make us thrive, whether or not they grow. That radical flip in perspective invites us to become agnostic about growth and to explore how our economies – which are currently financially, politically and socially addicted to unending growth – could learn to live with or without it.

I am convinced that these seven ways to think like a 21st-century economist are fundamental to the new economic mindset that this century demands. Their principles and patterns will equip new economic thinkers to start creating economies – local to global – that are regenerative and distributive by design, and so help to bring humanity into the safe and just space between the Doughnut's social and planetary boundaries.

Given the speed, scale and uncertainty of environmental and social change that we face in coming years – and the diversity of contexts from Beijing to Birmingham to Bamako – it would be foolhardy to attempt to prescribe now all of the policies and institutions that will be fit for the future. The coming generation of thinkers and doers will be far better placed to experiment and discover what works as the context continually changes. What we can do now – and must do well – is to bring together the best ideas to create a new economic mindset that is never fixed but always evolving. The task for economic thinkers in the decades ahead will be to bring these seven ways of thinking together in practice, and to add to them. We may be equipped with a new compass but we have only just set out on this adventure in rethinking economics. Please join the crew.

**Kate Raworth is a senior visiting research associate at Oxford University's Environmental Change Institute and a senior associate of the Cambridge Institute for Sustainability Leadership, UK. Her best-selling book, *Doughnut Economics: Seven ways to think like a 21st-century economist*, was published by Penguin Random House (2017).**