

DOUGHNUT ECONOMICS

Kate Raworth's new book asks: how we can reconcile the needs of humanity with the needs of the planet?

by Richard Twinch

Richard Twinch reviews an important new book by Oxford economist Kate Raworth. Questioning some of the fundamental principles of modern economics, like growth and the nature of homo economicus, Kate presents a visually compelling model – the doughnut – which brings many diverse factors into a unified system. The aim is to create a tool by which we can navigate into the ‘sweet spot’ where we meet our human needs without destroying the environment of which we depend.

Doughnut Economics may not be everybody's idea of a good holiday read. But it accompanied me on several journeys around the Mediterranean in the six months since it was published in the UK last spring, and kept me enthralled through heat waves and sandstorms.

Its author, [Dr Kate Raworth](#), is an economist, ecologist, social activist and – above all – a humanitarian, who has a vision that encompasses all these disciplines. Her impressive CV includes academic posts in Oxford and Cambridge, as well as stints ‘in the field’ in Zanzibar. She has also been a senior researcher at Oxfam and a co-author of the [United Nations Human Development Report](#). Her basic question, which she succinctly posits in a [talk](#) given in 2014 at the Royal Society of Arts is:

How can we ensure that every human being has the resources they need to meet their human rights – but that collectively we do it within the means of this planet?

Her attempt at an answer is encapsulated in a diagram that looks just like a doughnut (hence the name), which brilliantly brings together developmental and environmental issues – often seen as being in opposition to each other – into a single, accessible picture. As George Monbiot, reviewing the book in *The Guardian*, has remarked:

Like all the best ideas, her doughnut model seems so simple and obvious that you wonder why you didn't think of it yourself. But achieving this clarity and concision requires years of thought: a great decluttering of the myths and misrepresentations in which we have been schooled.

The Essence of the Doughnut

The doughnut consists of three rings. The outer ring represents the ecological ceiling beyond which we cannot venture without damaging the very earth upon which we all depend. The inner ring shows what Raworth calls the 'Social Foundation' which encapsulates the kind of human society that we wish to create. Between them there is a 'safe and just space for humanity' where we can live in harmony with our environment whilst also fulfilling our physical and social needs. The empty central space indicates human deprivation; it represents the situation of those people whose quality of life is so far below basic levels that their human rights are effectively removed.

In terms of our 21st-century situation, Raworth has broken down the rings into different elements, based upon current research. For the outer ring, she has taken the '[planetary boundaries](#)' identified in 2009 by a group of 26 earth system and environmental scientists led by Johan Rockström ([Stockholm Resilience Centre](#)) and Will Steffen (Australian National University). They propose that there are nine 'planetary life support systems' in terms of climate change, ozone depletion, water pollution, loss of species etc., which are essential for human survival. For the inner ring, she has drawn upon the [United Nation's sustainable development goals](#) to identify twelve essential aims (food, clean water, housing, sanitation etc.) which are generally agreed to be the foundations of a satisfactory human life.

Using research from the same two sources, it is possible to go further and produce a picture of exactly where we are in 2017 in relation to all these factors. The result is stark. It shows that we are already exceeding four of our environmental boundaries, even though, in terms of deprivation, we are not fulfilling our aims in one single area. What is more, although we are not currently overstepping our global limits in the remaining five aspects of environmental safety, Raworth points out that we are often doing so locally, and are dangerously close to the upper limit.

The Power of Pictures

[The Doughnut model](#) has received widespread attention since it was first proposed in 2012. One of the main reasons for this – and for my own attraction to the book – is that it uses pictures and diagrams to explain complex issues, and so stimulates the imagination as well as the rational mind. Raworth is quite aware of this, and the book opens with a dedication to the pencil:

The most powerful tool in economics is not money, nor even algebra. It is a pencil. Because with a pencil you can redraw the world.

In her section on 'The power of pictures', she talks about the ability of traditional circular symbols from around the world to embrace opposites and represent a more unified point of view. The power of the circle as a symbol of unity is that it has an

invisible centre, and an infinite number of possible lines that connect to the circumference. Each circle also has an interior – that which lies within the circumference; and an exterior – that which lies outside it. What is more, concentric circles (those which share the same centre) are intrinsically linked, and they express a hierarchy of inclusion either in relation to the circle's closeness to the centre or in its capacity to encompass.

Raworth's mind-pencil draws a picture of a world view in which economics, in its quest for clarity and the ability to predict the future and control the levers of money, has usurped humanitarian considerations. In particular we have lost the understanding that economics and wealth creation are quite distinct; she explains that the word 'economics' derives from the Greek *oikos* and fundamentally means 'household management'. She continues:

Aristotle distinguished 'economics' from 'chrematistics', the art of acquiring wealth – in a distinction that seems to have been all but lost today. The idea of economics, and even chrematistics, as an art may have suited Xenophon, Aristotle and their time, but two thousand years later, when Isaac Newton discovered the laws of motion, the allure of scientific status became far greater. (p.32)

So the quest to make economics into a science began. Even so, at its inception, it was not the narrow discipline that it is today. One of the great 18th-century founders of modern economics, Adam Smith, wrote:

The principal object of this science is to secure a certain fund of subsistence for all the inhabitants, to obviate every circumstance which may render it precarious; to provide every thing necessary for supplying the wants of the society, and to employ the inhabitants (supposing them to be free-men) in such a manner as naturally to create reciprocal relations and dependencies between them, so as to make their several interests lead them to supply one another with their reciprocal wants. (p.33)

However, as time progressed, this wider view of humanity and human enterprise was cut out, and economics became the process of managing resources and making money, without reference to wider goals. Human beings in this process became 'economic man', whose value was his or her labour as resource coupled with materials, unlinked from the environment.

Fascinatingly, Raworth points out that it was the pictures drawn by Paul Samuelson in his 1948 text book *Economics* that both explain the processes by which resources are managed and flow, and implicitly exclude wider implications and goals. His 'Circular Flow diagram' (see above) depicted income flowing round the economy as if it were water flowing round plumbed pipes – a process which was recreated in a hydraulic machine called the MONIAC (Monetary National Income Analogue Computer). This and other pictures became the standard text book illustrations that shaped post-war economics for 70 years, etching themselves onto the tabula rasa of

a whole generation of young economists – the people who went on to shape policy in the second half of the 20th century.

Invoking another kind of image, Raworth engagingly creates a Shakespearian-style play, with characters to suit, that dramatizes the process by which the ‘Neo-Liberal’ post-war economic consensus became more and more rigid, resulting in its almost total collapse in 2008:

It has become increasingly clear that the neoliberal economic plot – in an ironic echo of ‘The Tempest’ itself – has whipped us into a perfect storm of extreme inequality, climate change and financial crash. These global crises have opened up a rare chance to rewrite the entire script and perform a new economic play. The place to begin is by revisiting the cast of characters who feature in the Circular Flow. It’s time to shake up macroeconomics – armed with nothing more than a pencil – by redrawing its most prized picture. (p.63)

A 21st-Century Economy

In order to create the regenerative and distributive economy, Raworth explains (and illustrates) what she means by the ‘seven ways to think like a 21st-century economist’. Her proposals form the backbone of the book, not so much as specific solutions – which are inevitably debatable – but as ways at arriving at those solutions, particularly in terms of the questions that need to be resolved.

1. Change the Goal – *from GDP to the Doughnut*
2. See the Big Picture – *from self-contained market to [embedded economy](#)*
3. Nurture Human Nature – *from ‘rational economic man’ to social adaptable humans*
4. Get Savvy with Systems – *from mechanical equilibrium to [dynamic complexity](#)*
5. Design to Distribute – *from ‘growth will even it up again’ to distributive by design*
6. Create to Regenerate – *from ‘growth will clean it up again’ to regenerative by design*
7. Be Agnostic about Growth – *from growth addicted to growth agnostic*

Perhaps the most controversial of Raworth’s arguments concerns economic growth and the fixation of modern economies on GDP (**Gross Domestic Product**: the total value of goods produced and services provided in a country during one year). In this she picks up the baton from previous economists, such as E.F. Schumacher – best known for arguing that ‘[small is beautiful](#)’. Her form of presentation, even without diagrams, is again visual. GDP is depicted as the ‘cuckoo’ that has taken over the economic ‘nest’ and evicted the other offspring – which are those indicators which depict the social, economic and humanitarian goals that the unwitting parent has lost sight of. Growth in GDP is seen by most economists as the answer to problems rather than as a symptom, and its relentless pursuit leaves in its wake a whole series of unanswered questions and seemingly impossible conundrums, including the following formulated by Raworth herself:

No country has ever ended human deprivation without a growing economy. And no country has ever ended ecological degradation with one. (p.245)

She comments:

If the twenty-first-century goal is to get into the Doughnut by ending deprivation and degradation at the same time, what are the implications for GDP growth? Contemplating this question takes us to a new level in rethinking growth. It is one thing to move beyond using GDP as the primary indicator of a nation's economic success, but it is another thing altogether for that nation to overcome its financial, political and social addiction to GDP growth.

This [book] takes on that challenge and makes the case for creating economies that are agnostic about growth. By agnostic I do not mean simply not caring whether GDP growth is coming or not, nor do I mean refusing to measure whether it is happening or not. I mean agnostic in the sense of designing an economy that promotes human prosperity whether GDP is going up, down, or holding steady. (p.245)

Raworth, taking up her pencil, attempts to draw the outlines of a solution to this seemingly impossible paradox by drawing a graph whereby growth, rather than constantly increasing, levels off. She does this because, like most early economists, she assumes that it must eventually reach a limit. However, most contemporary economists will not even consider this possibility; they work on the assumption that growth will continue unchecked, and will therefore by its own logic shoot up, exponentially, towards infinity!

Conclusions

Raworth's hope is that the doughnut, which she sees as a 'compass', will be widely used by those trying to navigate our global future. Several NGOs (most notably Oxfam), government agencies and corporations are already starting to use it for long-term planning.

Perhaps the most fascinating – though worrying – aspect of Raworth's exposition is what it says about human nature. We have constructed, or allowed to be constructed, an edifice of economic theory without any real foundations, beyond the fact that we believe in it or would like to believe in it. This has been the 'wishful thinking' that has reduced the highly complex, dynamic systems of life to rigid structures which can be easily quantified. So blinkered have we become that the only solutions that we can come up with for long-term human problems are 'more of the same'. For instance, in response to the 2008 crash caused by fast growth, reckless lending and excessive borrowing, the answer has been the desire for more and faster growth, more lending and more borrowing, which will continue presumably until the next crash. The long-term effects on society and the environment are disregarded.

However, we know that it is possible – although hard work – for habit and thought processes to change if we want them too. We do not have to be circumscribed by the limits of our current world view. So if there is a conundrum to be solved, circular thinking is as good a start as any, as this places divergent aspects within an intrinsically holistic framework that already implies a series of complex interactions. *Doughnut Economics* is taking just such an approach. It may take a long time before the inscribing of Raworth’s Doughnut – rather than Samuelson’s ‘Circular Flow’ piping – on the tabula rasa of the new generation of economists results in people in positions of influence affecting real change. But there is hope that it will.

Richard Twinch is an architect, lecturer and world traveller with wide interests, including geometry, science, ecology, mysticism, philosophy, history and, more recently, finance, cooking and growing vegetables. He is most interested in the points where disciplines overlap, as that is where interesting things happen and are found. He has been a regular contributor to Beshara Magazine, both to the current digital version and to the original print edition in the 1980s, when he also worked as a journalist. He works as the events co-ordinator for the Ibn ‘Arabi Society, and aspires to devote his time (apart from to his family and friends) to being a writer, poet and geometer.

Sources

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For more on Dr Raworth’s work, see: <https://www.kateraworth.com/doughnut/>