



# **Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist**

*Kate Raworth*

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**THE SUNDAY TIMES BESTSELLER**

**'I see [Raworth] as the John Maynard Keynes of the 21st Century: by reframing the economy, she allows us to change our view of who we are, where we stand, and what we want to be.'** George Monbiot, *Guardian*

**'This is sharp, significant scholarship . . . Thrilling.'** *Times Higher Education*

**Economics is broken. It has failed to predict, let alone prevent, financial crises that have shaken the foundations of our societies. Its outdated theories have permitted a world in which extreme poverty persists while the wealth of the super-rich grows year on year. And its blind spots have led to policies that are degrading the living world on a scale that threatens all of our futures.**

Can it be fixed? In *Doughnut Economics*, Oxford academic Kate Raworth identifies seven critical ways in which mainstream economics has led us astray, and sets out a roadmap for bringing humanity into a sweet spot that meets the needs of all within the means of the planet. En route, she deconstructs the character of 'rational economic man' and explains what really makes us tick. She reveals how an obsession with equilibrium has left economists helpless when facing the boom and bust of the real-world economy. She highlights the dangers of ignoring the role of energy and nature's resources – and the far-reaching implications for economic growth when we take them into account. And in the process, she creates a new, cutting-edge economic model that is fit for the 21st century – one in which a doughnut-shaped compass points the way to human progress.

Ambitious, radical and rigorously argued, *Doughnut Economics* promises to reframe and redraw the future of economics for a new generation.

**'An innovative vision about how we could refocus away from growth to thriving.'** *Daily Mail*

**'There are some really important economic and political thinkers around at the moment – such as Kate Raworth's *Doughnut Economics* . . . I get the sense that a major period of new thinking and political creativity is coming.'** Andrew Marr

**'*Doughnut Economics* shows how to ensure dignity and prosperity for all people.'** *Huffington Post*

**Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist Details**

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# From Reader Review Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist for online ebook

## Ben Thurley says

An accessible and insightful book that outlines a vision, and puts forward a few new tools for 21st Century economics on a hot, crowded and unequal planet.

Raworth's big idea is that the focus of economists and policy-makers on growth, as measured by GDP needs to be replaced with a better, truer, nobler goal – *to meet the human rights of every person within the means of our life-giving planet.*

The *doughnut* (or *donut* to American audiences) of the title refers to Raworth's catchy visual heuristic for this goal of thriving within a "safe and just operating space for humanity". The inner circle of the doughnut represents the social floor – addressing issues such as food, water, income, jobs, voice and so forth – a foundation of well-being below which nobody should fall. While the outer circle represents an ecological ceiling – the planetary boundaries of climate change, freshwater use, chemical pollution etc. – which human beings should not go beyond.

She offers seven lessons for recalibrating economic thought to meet this goal. We need to move away from our fixation on GDP growth and find ways to meet more human needs and goals, within increasingly pressing ecological constraints:

Today we have economies that need to grow, whether or not they make us thrive.

What we need are economies that help us thrive, whether or not they grow.

Our economic thinking, she insists, needs to be modelled more after complex and biological systems, with intentional redistributive and regenerative outcomes built into our business and economic activity from the start. She is also insistent that it needs to nurture more social and sustainable values and ethics (cooperation and care) than those promoted for *homo economicus*, the caricature of human beings given us in most economic thought – a self-interested, indeed, selfish agent acting to maximise his or her own happiness.

Overall, it's a good read and touches on a lot of ideas relevant to recent and current economic discussion. It's not a criticism, but neither the debates nor the proposed solutions Raworth puts forward are new. The doughnut diagram, though, as she proudly notes at the start, really does strike a chord and gives a reader a helpful way to visualise how social justice and ecological sustainability could be made foundational for economics and politics today.

It's not a long book, as mentioned, and is pretty nicely written but if its length is in any way daunting, you can also read Kate Raworth's Oxfam paper (a precursor to the book and which contains the book's main ideas), *A Safe and Just Space for Humanity*, online for free.

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## Otto Lehto says

Doughnut Economics is a really cute title. It is unfortunately not the only cringeworthy aspect of this book. Kate Raworth's ambitious fairytale for adults encompasses Life, the Universe and Everything. It warns against ecological and economic overshoot but itself overshoots in its wide-eyed claims and heterodox heresies. As it happens, futurology is one tough doughnut to crack.

The book has a few central problems: 1) It attempts a synthesis that lacks solid foundations and relies on ephemeral, dubious premises. 2) It is too utopian in its claims about the powers of social planners to "steward" social complexity. 3) It misrepresents basic economic facts, historical and theoretical, e.g. the nature of economic growth and the views of neoclassical and "neoliberal" (always a sign of trouble) thinkers. 4) It preaches humanistic pluralism and social cooperation but reeks of totalitarian impulses, what with its call for top-down global governance structures and for the subjugation of almost all private interests and markets to democratically agreed-upon ends. 5) Did I mention how much I hate the title?

Now, that sounds quite harsh, and that is intentional, but the book is not all bad. It explores absolutely crucial avenues, from environmental sustainability to the digital commons, from alternative currencies to basic income schemes, from land value taxation to financial reforms. It provides food for thought for any thinking person and it crystallizes a kind of a new manifesto for progressivism. But it overshoots. It fails to temper its high architectural hopes with engineering modesty. It doesn't get that complexity is an emergent order that cannot be set to serve particular chosen ends without sacrificing its very life force.

"Regenerative and distributive" is a nice catch phrase, but a more accurate one may be "all aboard the happy train, this way lies unwarranted short-lived enthusiasm." If you feel the calling in your heart, go ahead and follow the vision, my brave Soldiers of the Order of the Doughnut. But harken these words: do not be surprised if you encounter many road blocks - unexpected glitches in the Doughnut matrix - on the way to the completion of your sweet utopia.

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## Emil Gigov says

I am not an economist but have been in business for 25 years and regularly enjoy reading business and economic texts. I started reading this book with interest, looking forward to discovering some new, thought provoking ideas. However, I found the book annoying and one sided in its analysis. The key tenet is that economic development has to be sustainable, a point that has been well rehearsed and widely accepted. The book starts by stating how important the visual representation of economic theories is and that all key metrics and graphs in conventional use are basically wrong. It then describes the optimal economic development as "a social foundation of well-being that no one should fall below and an ecological ceiling of planetary pressure that we should not go beyond". This is visually represented by a doughnut! There is little logic to that other than the author seems to believe it is very impactful and memorable. If we are talking about a floor and a ceiling to economic development, how is that best described by two circular rings? The references to the doughnut follow on nearly every page and it is clear that the author sees this as a great invention.

The book then continues to reject all major economic theories claiming they have brought humanity to "the brink of ecological, social and financial collapse". While there are certainly many economic problems yet to be tackled, I would disagree with such a dramatic statement. There is no mention of the fact that today's quality of life for the majority of people is way better than at any time in history, that there are fewer people

living in poverty, that advances in healthcare and technology brought by free enterprise have extended life expectancy across the globe and that trade between nations has not only brought hundreds of millions of people out of poverty but has also reduced armed conflict to the lowest level in human history. The author regularly mixes economic issues with political and social issues, such as gender equality and political representation and the writing is often repetitive and patronising.

One of the key ideas of this book, not a new one by any means, is greater redistribution. Not just of income but also of wealth - an argument that has been made many times before and the author completely ignores the effects of excessive taxation on enterprise.

Most readers are aware that achieving sustainable development on a global scale means dealing in a coordinated manner with numerous complex issues, requiring complex solutions. Much more complex and nuanced than a doughnut.

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## **Trevor says**

This is something that you need to move up your list of books to read - and do so fairly urgently. I liked this book for so many reasons, but not least because she uses some of the same examples I've been using recently to explain ideas that have been troubling me for quite a while now.

One of the things that has obsessed me lately is the idea of the power of images and the odd fact that we don't really hear very much about this power in life more generally. You might think we would say to each other something like, "Oh, here's that ad again, the one with the sexy girl and the ear-wax cleaner - what's the bet I start thinking I need to buy some of those next time I'm in the supermarket..." I mean, we all 'sort of' know that images impact on how we understand the world, that advertising, for instance, relies very heavily on images and so on, and yet, we 'sort of' act as if we didn't know any of this at all. Images present us with visions of the world as we would like it to be and we project ourselves into the world these images create for us - and while this is particularly true of, say, the Marlboro Man or Coke adding life, her point is also that the images that have been created to define how the economy works also constrains how we think about the economy and about society more generally. She says that she realised the power of images when she came up with the doughnut as a way to explain how the economy ought to work.

Her doughnut idea is really quite simple - if we, as a society, do not take enough of the basics from the world around us then we will stop functioning as a society and people will start dying. If, on the other hand, we take too much then the world will start to die and that will have much the same impact on the rest of us too. So, there is a doughnut of healthy interaction with the world in between these two extremes - and that is pretty much where economics ought to be trying to direct us, inside the doughnut of sustainable economic engagement with the world. It is quite a lovely idea in a lot of ways and you can see why this image has become so appealing - she says she runs into it all of the time now, it basically having become a meme and run off with a life of its own.

This is, of course, the opposite of the standard image we have of economics. In that other image life can only get better if things first get worse. We need to grow economies to a certain level before we can look after the planet - but once we have grown beyond that point, well, things start getting much better in all senses. Think of London when Sherlock Holmes was running about solving crimes (I know, he never really existed, but stay with me). The smog was so thick it was called a 'pea-souper' and in one of the Holmes stories (set in the day time) the fog was so bad he had to light a match to be able to read something. Today London is clean

and mostly smog free. Ah, the joys of late-Capitalist development. Except, as she points out, this story is mostly nonsense. London is certainly much cleaner and a much healthier place to live now than it was a century ago - but this has more to do with the de-industrialisation of the first world, that is, the shifting of the filth of production away to poor nations, than it has to do with capitalism as a whole becoming more ecologically friendly. We are witnessing one of the planet's great extinction events - capitalism isn't fixing this, it is rushing it to its conclusion. To pretend that production can be constantly shifted away from humans as they reach the right level of development misses the point. The reason Chinese cities now have worse than Holmes's London level of air quality is because they are the production centres of the world now. Just because London is better off, doesn't mean the world is.

And this becomes a central theme here - our problem is that our economy only makes sense if it provides endless growth. But endless growth on a finite planet is clearly unsustainable. Eventually something has to give - and we seem to be rushing towards that point right now. The problem is that those who have swallowed the kool-aid provided by the images presented by the reassuring models telling us how the economy works are incapable of thinking outside of those images. And so, they need to believe that things will very soon get better. Pinker, it seems, discusses how everything is about to become sunny and lovely and how it is those nasty and irrational environmentalists that are the crazy fanatics not prepared to see just how wonderful the world is about to become. And that he presents this rubbish in a book supposedly praising enlightenment thinking...

This book does a lot to give me hope that things just might change - even against my more natural pessimism that people really would swap all of the necessities of life for just one more of the luxuries. She makes many compelling arguments that we need to rethink how economics works and that we need to do that now. That we need to take economics in hand so that we can have some hope of a future on this planet. I really can't recommend this book too highly. Compulsory reading.

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## **Paul says**

The dismal science has a propensity to be tedious and uninteresting to anyone outside its narrow sphere. But its influence is wide and pervasive, the neo-liberal agenda has given us a society where there is now a vast chasm between the super-rich elite and the poor underclass and where the single-minded pursuit of profit is degrading the world that we live in and are totally dependent on. This system that favours a small political and financial elite who make decisions based on a narrow range of interests and desires and I think that you could argue that economic theory has remained just a theory. The economists at the London School of Economics were quite embarrassed when the Queen asked how they managed to totally miss the 2008 financial crash. This is a common occurrence, time and time again these events have not been predicted, let alone prevented and they have caused serious harm to economies large and small.

Is there a way of fixing it though?

Kate Raworth thinks that there is. In this radical new economic theory that she sets out in Doughnut Economics, she identifies seven elements where the present systems have failed and her proposals to overhaul the current thinking. Addressing the fundamental issues such as growth, GDP, rational economic man and distribution of wealth her new economic plan takes us away from the folly of equilibrium and the boom and bust that always follows.

The principle of the doughnut above is that the outer ring is the limits of our resources; we, after all, are just on one planet and haven't got another to use when we have ruined and used this one. The inner ring is what we all need to be able to survive as human beings, from the essentials of food, water and shelter to the elements that make us civilised like energy, education and justice. The band between these two lines is the space where we all can live comfortably. It is a simple and elegant model and the places where parts of this have been implemented, the benefits are there for all to see.

When the short-term interests of a small elite diverge from the long-term interests of society as a whole, it is as Jared Diamond says, a blueprint for trouble. Raworth has developed an excellent and sustainable model of economics that we really need to start moving towards to, to make the economic systems work once again for the good of humanity and the planet. It is well thought through, with clear reasons as to why the current system is failing for most of the world at the moment and a soundly robust new system. For me though, the only thing it was lacking is the how we are going to change to something like this, that is urgently needed. Budging those vested and deeply ingrained interests is going to involve a lot of pain. Overall a really good book with a positive message and maybe a chance to turn a work that thrives for all.

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### **Ayesha Madan says**

Full of words that inspire action. I really took my time with this book because it became clear to me early on that it's something to be studied, not just read and/or skimmed.

Not sure I agree with everything in it, but I think Kate Raworth's optimism and accessible theories are just the ingredients we need today.

Please please read, even if (Especially if!) you didn't like studying economics growing up.

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### **Mehrsa says**

Yes. Finally. Everyone read this (and other books like it). (I have written two myself ;)) We need to rethink our economic systems. We cannot rely on GDP growth forever and at all costs. The costs are huge and irreparable. We don't have much left in the way of environmental buffers, we have way too much inequality, and for what? We have to understand that banks are not just neutral players in the system, but that they create money. That businesses have profit maximization as their model, which is fine, but there needs to be a balance. The way we have typically envisioned the economy has not included all the right players--we are not all consumers or producers. We have to account for unpaid work, for non-monetary costs (externalities), and where the energy for the widgets are going to come from? Read this!

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### **Otis Chandler says**

One of the best TED talks from this year: [https://www.ted.com/talks/kate\\_rawort...](https://www.ted.com/talks/kate_rawort...)

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## **Katia N says**

This book is very ambitious, but with a very valid and honourable course. Through her own experience and interactions with the modern students, Kate Haworth realised the economic theory that is taught to the undergraduates is at least 50 years old, based on more or less single paradigm, too technical. Respectively, the policies based upon the theory could be outdated, and sometimes have got a wrong set of goals. Why it matters? For two main reasons: current students are future policy makers and advisers. So they should have much more modern, broad view. I can add that economy is something which affect us all. We are all within this system (so to speak). And, on the one hand, we all think we know a lot to form an opinion; but in reality the mainstream theory is hard to understand without special knowledge. So it creates a vacuum between “qualified” advisers to the policy makers, academia and the general public plus the politicians who are often even more clueless.

Kate decided to redefine the goals of the discipline and the approach she proposes to educate the future economists and the general public. She is “lucky” with the timing as she is writing a decade after the financial crisis, when the mainstream economists totally discredited themselves by “not seeing it coming”. So currently there is more opportunity to challenge the dogma which existed around so-called “neo-classical” model of economics.

In preparation of the book, she seemed to plough through a substantial amount of literature representing a variety of current alternative economic paradigms. The ideas per se are not absolutely new, but they have new relevance and she puts them all together. The result is lively and coherent text which represents these ideas in the form understandable to anyone. I can see the big influence of the so-called sustainability economics theory (Herman Daly, Donatello Meadows) on her writing, which is a good thing (IMHO). Also she tends to use the pictures and diagrams to introduce her concepts claiming that “one picture is better than thousands words or equations”. (I like the equations very much, but it is just me).

The book in its current form is unlikely replace the infamous Econ-01 (Introductory Economics course for the undergrads), but it is a fantastic starting point for this discussion. Personally, I also benefited from updating my knowledge of the modern economic thinking through her Bibliography and found a lot of interesting areas to investigate.

The book lacks academic vigour. Some areas are weaker than the others. For example, the areas about theory of money, trade, unemployment are barely touched; the suggested policies for redistribution are vague. I hope she would expand on this or someone else will produce a similar quality book updating the thinking in these areas. Also the Austrians (evolutionary approach) are not mentioned apart from Hayek. And he is mentioned only in the role of devious neoliberal. It is a pity as they would fit her general paradigm. Some people might consider her views as a left-wing leaning.

However, her approach is certainly more heterodox and broad than the traditional textbook. Amazingly enough, I found out from different sources the current economic students are not taught the history of economic thought. So they are not exposed to a wide range of ideas (sometimes contradictory) within the historic context. Therefore, this book is the move in the right direction for educating the future economists and stimulating the new debate. It is also a refreshing, well presented and interesting read.

## **Appendix:**

The best place to receive a quick intro into her ideas is at her website. There are very short animations:

But I will quickly summarise the main point here as well. She calls them “Seven ways to think as 21 century economist:

1) **Change the Goal** - she claims the goal of the current economics is maximising GDP. She says is too narrow (even might be wrong) and she is proposing something which she calls “Doughnut” - finding the balance between sustainable environment and thriving for all the humans (social justice). Strictly speaking, we are talking here more about the goal of economic policies, not the economics as a science in the normative sense of the world - the objective study of the reality. But here we come to the debate whether economics is a science indeed and can it be objective of the abstract human values. Fortunately for us, this is beyond the consideration of her book.

2) **Tell a New Story** - broadly criticising neoliberal script about the dominance of free market and expanding it to “embed” the economics in the context of society and nature. She considers the commons, household and the government as important in the economy as the market. She also considers the solar energy as a key production factor which feeds all economic activities.

3) **Nurture the Human Nature** - This chapter addresses what traditionally would be called “Microeconomics”. It starts with criticising the idea of “Homoeconomicus” - the model of an individual, rationally maximising his utility in economic decision making. She introduces some behaviourist and heuristic ideas about the individuals within the context of economics. Also she demonstrates that in some situations money is not the best way for motivating people within the economy. Though her argumentation is not always clear and one can disagree with some of her statements, this chapter is really a good starting point to find out about the alternative views on the microeconomics assumptions.

4) **Get Savvy with Systems** - Broadly addresses the subject of what traditionally called Macroeconomic theory. The orthodox approach is the static model when the economy eventually would achieve an equilibrium of aggregate supply and the demand. She shows why it is the unrealistic model. Her recommendation is to change the approach and move to modelling the dynamic systems; also to look for an analogue of this system in the nature. Again, this approach is shimmering within the environmental economics theory. Also applying the physics theory of thermodynamics has becoming popular between the economists and in finance. I found this chapter the one of the most interesting and plan to read more on this approach.

The three last chapters are devoted to the economic policies more than the theory. Also they cover the basics of the theoretical foundations as well. However, I found them a bit more hazy in terms of their practicalities. She admits that it is just a starting point though, and there are a lot of new ideas as well as the traditional ones.

5) **Design to Distribute** - She argues the economy should be redesigned in a such a way that there would be embedded mechanisms of the income and wealth redistribution. She criticises the traditional theory that inequality would grow at the initial stage of the economy growth and then would subside by itself in the later stage of the development. (Kuznets curve). It is not confirmed by the empirical data. She opines: “Far from being a necessary phase, rising inequality is a policy choice.” She also underscores the inequality’s impact on the decline of democracy. Her conclusions are referenced to the modern research and thinking which is included in the bibliography (including Piketty - the french economist who wrote the bestseller “Das Capital in 21th century”). Apart from the traditional role of the government, she hopes that the modern growth of creative commons economy through the networks would translate into something bigger like zero marginal

cost production and distributed R&D, for example. There are many other ideas and examples of diversifying the economic system.

6) **Create to Regenerate** - She discusses the challenges and progress made to redesign the economy from being degenerative (in relation to the Planet) into the regenerative one.

7) **Be Agnostic about Growth** - probably the most controversial chapter in the book. She argues that the rich countries might think about limiting economic growth to achieve the world's sustainability. She contrasts the "green growth" vs no growth for the the rich developed economies (while the rest of the world is still targeting economic growth). By "post growth" economy she does not mean that no value is created. Rather, she talks about value creation which is not necessary measured in monetary terms and/or are not created in terms of financial profit (which is basically what GDP is). "We will still generate product and services that people enjoy, but far less of that total value will flow through market transactions."

She appreciates though that our society does not yet know how to live without economic growth. And, in my opinion, she does not have a developed theory (or proposal) on this front as well. She appeals for "many sectoral transformations, including a strong contraction of industries such as mining, oil and gas, industrial livestock, demolition and landfill, speculative finance to be offset by a rapid and lasting expansion of long-term investment in renewable energy, public transport, commons-based circular manufacturing and retrofit buildings." - That sounds good, but a bit too naive. Nevertheless, it is a certainly relevant area to think about for 21th century economist.

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## Fred Pelard says

What an amazing book! ... It's rare when someone has the vision + the brains + the charisma to 1) challenge received wisdom, 2) offer a fully-formed alternative, and 3) explain it clearly & succinctly. I read about 30 "business" books a year cover to cover (have to for my work), and this is the most jaw-dropping one I've read in a long while. Whole-heartedly & whole-braintedly recommended.

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## Riku Sayuj says

Economics runs on images. The language of economics is built upon the iconic imagery of supply and demand curves, circular flow models, GDP growth curves and IS-LM models. Raworth seeks to change the language of economics. How? By changing the fundamental images that define economic models.

So what ails Modern Economics? Raworth is not exactly correct in saying that modern economics still runs on the rational-actor model and hence is limited by it. Not when we have Nobel laureates sitting pretty with bestselling books and superstar ideas about behavioural economics that tears down the old models. The problem in fact is not that the models are flawed or that economists are unaware of their own limiting assumptions built into the models. The real problem is that the aims, the end goals, of modern economics are still perhaps out of sync with reality. The neo-liberal idea that everything can be left to the market is only a pipe-dream - no serious policymaker depends on it today. Much of economic progress, just like much of political and societal progress have been made, as Pinker says, by the gradual pushing of the left-right boundary further and further towards the left. What was once marxist is now neo-liberal. The good fight goes

on, but trusting the market is not the real problem of the day. That is not the reform needed in economics.

The next big reform has to focus on the overriding goal of all economics - GROWTH! Economic Growth is the assumed solution to all ills. Raworth takes this to be a case of an almost religious belief in a 'Kuznet's Curve of Everything' (in fact a good marker to test if any argument is in part belief-based is to see if there is an assumed Kuznet's curve present in the argument). Almost every argument and every policy seems to assure us that it will get worse now, but it will get better tomorrow as long as Growth continues. Growth must go on.

This is the core paradigm that Raworth really wants to shift. Raworth asks: *“What if we started economics not with its long-established theories, but with humanity’s long-term goals, and then sought out the economic thinking that would enable us to achieve them?”* How spectacular is that question? Instead of chasing growth and assuming it will give us the things we value, can economics chase the things we value directly?

To be honest, there is nothing particularly new in Raworth's attempt. This is exactly what has been the attempt since the radical 'Limits to Growth' intellectual movement took root. What Raworth is doing differently though is that here the revolution is waged, not using speeches and big ideas, but using images. And in economics nothing is as powerful as images!

Enter the Doughnut: a sort of miracle diagram that is apparently going to change the world. The inner ring represents the “social foundation”, the situation in which everyone on the planet has sufficient food and social security. The outer ring represents the “ecological ceiling”, beyond which excess consumption degrades the environment beyond repair. The aim is to get humanity into the area between the rings, where everyone has enough but not too much – or, as Raworth calls it, **“the doughnut’s safe and just space”**.

Thus the Doughnut is the image Raworth uses to represent the limits to growth, and to rub in the fact that we cannot rely on the processes of growth to redress inequality and solve the problem of pollution. Now, the doughnut is a powerful image and Raworth is a great ambassador for it, but it might not be enough, especially because Raworth clearly pitches her camp on the left as far as economic arguments are concerned - and as we know by now, that is often enough for whole ideas to be rejected unilaterally by the rest of the political and economic community... Reading the book, one feels that she seems a bit overoptimistic about the possibility of changing the predominant neoliberal/conservative mindset, essentially through persuasion, as if she is not fully aware of how deep the fault-lines lie in these things. The doughnut may not be powerful enough an image to pull this off...

But, the main point of the book is not just about the Doughnut, it is that there is a fresh new path towards changing the economic orthodoxy that is built into all political debates - most of the simplistic economics debates are possible because the right has access to some basic ideas and concepts that can be visualised easily - 'Economics 101', as they keep repeating.

Raworth's attempt at providing a powerful counter, and hence a possibility of rebuilding the imagery of economics textbooks is commendable, and could eventually be a game changer - not because of the idea of the doughnut, but because of the approach it represents. A truly significant modern economics book, for a change.

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**Adriaan Jansen says**

"We are the first generation to know that we're undermining the ability of the earth system to support human development. This is a profound new insight and it is potentially very very scary... It is also an enormous privilege because it means that we are the first generation to know that we now need to navigate a transformation to a globally sustainable future" (pag 55).

Throughout her book Doughnut Economics, Kate Raworth invites us to ask important questions about the way economics has been studied and applied over the last 50 years: Are our basic assumptions still valid? Are our models still relevant? Are our economic goals the right ones?

During the last 5 decades, towering above everything else, has been the goal of growth, made explicit through a focus on GDP growth. While originally GDP growth was an indicator, a tool to measure if an economy was doing well, gradually it has changed to become the objective itself: The tool that we used to measure if the economy was on track is now the goal we pursue at all cost. In the context of our focus on continuous GDP growth, Raworth asks another question: What does perpetual exponential growth look like?

Also, it is fairly obvious that GDP growth alone is too limited a focus for an economy, and the science of economics, to have. It is only a partial indicator of human well being. And GDP growth doesn't take into account increasing inequalities, worsening environmental degradation and climate change.

Raworth proposes that for the 21st century, we need new goals: Goals that make sure that individuals and societies are thriving. She visualizes these goals with a doughnut, made up of two concentric circles.

The smaller circle forms a lower limit called "Social Foundation". These are the basic human rights no-one should have to live without, such as food and water, access to health care and education, political representation, housing and work. The bigger circle forms an upper limit called "Ecological Ceiling". This limit consists of the 9 planetary boundaries (Climate change, ocean acidification, chemical pollution, nitrogen and phosphorus loading, freshwater withdrawals, land conversion, biodiversity loss, air pollution and ozone layer depletion) that we should not cross if we want to make sure our planet can sustain life as we know it, for us and for generations to come.

In between these 2 circles is what Raworth calls the "Safe and Just Space for Humanity". The goal for economics in the 21st century should be to make sure humanity can thrive in this safe and just space for all, with no-one living in precarious conditions below the Social Foundation and without abusing the living planet, i.e. without breaking through the planetary boundaries.

Changing the goal of economics, both as a science and as a tool for designing policy, to make sure that humanity can thrive in the safe and just space of the doughnut, requires us to rethink whether growth is always necessary. It may be that we have to let go of our addiction to growth. "Let's revisit the conundrum we find ourselves facing:

We HAVE an economy that needs to grow, whether or not it makes us thrive.

We NEED an economy that makes us thrive, whether or not it grows" (pag 268).

Changing our economic goals to make sure humanity can thrive is the first main recommendation of this book.

Next, Raworth argues that economists are taking a view of the economy that is too narrow. She urges us all to loose an excessive focus on markets to take a more holistic approach of the economy. This is the second important picture / model that Raworth puts forward: The economy is made up of 4 interacting parts, the household, the market, the commons and the state. These 4 components of the economy interact through

monetary flows and all have unique ways in providing for our needs and wants. The economy itself is embedded in society, which in turn is embedded in the living planet. Besides monetary flows within the economy, there are important energy and resource flows: The living earth is a source of energy and raw materials, and at the same time a sink of waste heat and waste matter. The only input that the living earth itself receives is solar energy, the only output that leaves the earth is heat. This leads to a nice analogy: Earth as a spaceship. "As in all spaceships, sustained life requires that a meticulous balance be maintained between the capability of the vehicle to support life and the demands made by the inhabitants of the craft" (page 53). In this context, let's revisit a previous question: What does perpetual exponential growth look like on our unique but isolated spaceship called earth, which has just one single input, solar energy?

Arguing for a new goal and a more holistic approach is one thing, how you present it is another. Raworth recognizes that a picture says more than a thousand words, and one of the strong points of her book is that she complements her writing with drawings, so we can visualize her ideas immediately. The strongest example is the doughnut of the title. Another strong example is how she contrast the iconic picture of 20th century economics, the circular flow diagram, with her more holistic approach and a diagram of the embedded economy.

Raworth argues that the circular flow diagram is too limited a model for the entire economy, not only because it is based on flawed assumptions such as the rational economic man, but also because its view is too narrow and leaves out too many things. When 20th century economists don't want to take the effect of something into account in their models, they call it an externality, a euphemism for side-effect. Now, in the first decades of the 21st century, those side-effects have taken center stage: Climate change and global and national inequalities are the main examples. It doesn't make sense to keep labeling them side-effects when they have such far and wide global and local impacts. " 'There are no side-effects, just effects', says John Sterman, pointing out that the very notion of side-effect 'is just 'a sign that the boundaries of our mental models are too narrow, our time horizons too short' "(pag 143).

Apart from her suggestion to take a more holistic approach, what are Raworth's recommendations to get humanity into the safe and just space of the doughnut? First, accept that we are not always rational economic thinkers, but that we are social animals that thrive when we interact and cooperate with others, often with no self-interest in mind. Next, design an economy that is both distributive and regenerative. Tools for accomplishing this are the circular economy and a more important role for the commons. Here Raworth follows Jeremy Rifkin's "The zero-marginal cost society" in pointing out that the commons are quite the opposite of a tragedy. What Rifkin calls the creative commons gets praise from Raworth as well, with open-source online communities as the main example. And as a final recommendation, she urges us to become agnostic about growth. Do we need constant growth in order to thrive? If we make a graph of growth's trajectory over time, rather than a constantly rising exponential line, perhaps a more realistic representation is the S-curve, where after a slow start and exponential phase, growth reaches a plateau.

Constantly questioning assumptions, models and goals and arguing for a more holistic approach are among the main strong points of Doughnut Economics. With these questions and broader views, the book aims to start a conversation about what economics for the 21st century should look like. You may not like all the policy recommendations that Raworth puts forward, but that should not distract you from the value that raising those questions has.

Another strong point is that Doughnut Economics' holistic approach brings together many ideas from different areas of expertise. Several of these I was already familiar with, such as Rifkin's appreciation of the commons, Jeffrey Sachs' discussion of the planetary boundaries in "The Age of Sustainable Development", examples such as the ultimatum game that demonstrate that we are not always rational economic profit

maximizers, and Dan Ariely's suggestion that market norms can have a pernicious effect on social norms, as shown by the day-care centers in Israel that started to charge a small fine to parents who picked up their kids late, only to find out that parents considered it not a fine, but thought picking up their kids late was now a service for which they only had to pay a small price, with the result that many more parents, no longer inhibited by the shame of being late, started to pick up their kids late, quite the opposite behavior that the day-care centers had intended.

The next strong point is at the same time a weakness: In starting the conversation about what kind of economy we need, Doughnut Economics offers a great high-level overview, but pays too little attention to details and pitfalls. Most noticeably, the book offers very few suggestions on how to deal with the resistance of vested interests. Many of Raworth's recommendations place her on the left side of the political spectrum in any country, and many will object and resist her suggestions. One example: In order to achieve the goal of humanity thriving within the limits of the doughnut, Raworth argues that many sectoral transformations are called for, "including a strong contraction of industries such as mining, oil and gas ... and speculative finance" (pag 267). The most influential companies in these industries, with their strong lobby groups and deep financial pockets, are not likely to step aside voluntarily in the very near future. The book offers too little guidance on how to make sure this does happen sooner rather than later.

I enjoyed this book and its refreshing questioning of assumptions, models and goals. Doughnut Economics doesn't provide all the answers, of course, but invites us to improve our critical thinking and to do "sense-checking the economic theories that are put before you – even the ones in this book, of course" (pag 291).

## Jessica Christine says

Everyone should read this book!

## Amin says

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## Albert Faber says

Raworth's book has in recent months met either raving or scathing critiques. A \*\*\* review may thus be a little odd, but let me explain with reference to the broader discussions about the book.

Much of the critique revolves around the simplicity of her description of economic practices and theories. She traces the evolution of economic science to the neoclassical worldviews of Friedman and Samuelson and to the classical worldviews of Walras and Marshall. Curiously enough she stops just there, as if economics has not evolved further as a science, which of course it has. Consider, for example, the strides made in environmental economics, complexity and evolutionary economics, welfare studies in the key of 'beyond GDP', etc. Similarly, Raworth's sketch of economic policy-making seems much of a caricature, suggesting that 'externalities' are ceteris paribus left out of policy, while in practice such externalities are at the heart of economic policy. I am not an economist by training, but from students I understand that much of academic courses are still very much outdated, with a strong focus on the rightly despised equilibrium. In short: Although justified on economic education, Raworth's descriptions of economic science and policy are close to caricature and a strawman argument.

There's no need for that in order to make the point she wants to make, and that's where the raving reviews come in. Raworth offers a very appealing broad perspective on the goals, values and functions of an economy that considers social and ecological principles and limits. She rightly suggests a shift from thinking in terms of flows ('economic growth') to a framework of stocks ('capital accounts'). She does not elaborate very much on the intricacies of capital accounting, which may be a bit confusing for economists that are trained to consider monetary capital only, rather than also natural, social or cultural capital.

I understand and appreciate the appeal of the argument, but two main issues must be addressed. First, the doughnut itself very much resembles what used to be called 'sustainability'. This is a general end goal situation, and hence distinguishes from 'sustainable development', which evolves along the lines of particular principles. In other words: sustainability as well as Raworth's doughnut are static end goal situations, rather than principles for policy and action. This is tricky, because it runs the risk of utopianism and, therefore, of authoritarianism. Utopianism tends to discard competing social ideas, rather than integrating them in a broader context. A focus on sustainability principles rather than goals to reach is much more fruitful. Raworth is not blind to this, e.g. when she elaborates on design principles such as circularity. However, the doughnut is not the analytical tool that credibly integrates this wide diversity of ideas.

Second, I recognize the rhetorical power of the doughnut, but I am also aware of its conceptual limits. Raworth builds upon the works of others (Rockstrom et al.) to present a visual that helps to understand physical and social limits to economic development. As such, this is a work of rhetorics disguised as a scientific argument. Much can be said about the limited scientific credits of the ecological limits approach and of the scientific foundations of the social inner bounds of the doughnut. Don't get me wrong: I can fully subscribe to the normative point she makes, but it should be clear that this is what it is: a normative argument of great rhetoric power. As such, this is a political pamphlet more than a book of scientific rigidity. Moreover, I'm not sure whether the re-frame of sustainability should be cast in terms of limits, but I do think it can be elaborated in terms of principles, institutions and power relations. Hopefully this book will be a trigger for much work in that direction.



To conclude with some praise: I think Raworth does a great job in broadening the argument that economic growth cannot be sustained into eternity and that a rethink of the foundations of our economy will be necessary. Coming from sustainability science there's not much new for me here, but I appreciate her effort and her tireless tour of presentations on the matter. The message is important.

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