

## Book Review

Kate Raworth (2017). *Doughnut Economics: Seven Ways to Think Like a 21<sup>st</sup> – Century Economist*. Penguin Random House U.K., p.p. viii + 372 including indexes. ISBN-13: 978-1847941398; NRs. PP NRs. 960

The book is advancement over the conventional way of framing economics that propagates the neo-classical essence of understanding economic theories, where material well-being is perceived as a natural goal of all economic agents. Economic growth is at the center and each economic agent achieves their respective goals through the free market mechanism. This is what Raworth primarily contests in her book as having a cost in terms of unsustainable consumerism that has an irreparable bearing on environmental and societal well-being.

Raworth debates that the current goal of economic growth has led to severe environmental problems and widened social inequity. These concerns are critical for human lives but are considered an external cost in the current scope of economic theories since they make no ‘Market Provision’ to internalize those concerns.

Raworth reiterates the role of economics in shaping the course of public policy which then guides the societal mindset of thinking about the economy and society as a whole. In the 21<sup>st</sup> century, there is a need to rethink economics in the “Doughnut” frame that creates a safe and just space for a society for carrying out economic activities that serve the dual objective of societal and ecological well-being.

### What doughnut represents?

The doughnut as envisaged by Raworth is an emblem of the ultimate goal of humanity. In the middle of the doughnut are the social foundation and human well-being which is considered as a safe and just space for humanity. On the outer edge of the doughnut is the ecological ceiling that serves as a critical threshold of environmental degradation. Therefore, the goal should be, on the one hand, to remain within the doughnut so that there is no social deprivations and shortfall of necessities and, on the other hand, to not to overshoot the growth that challenges environmental sustainability.

### Seven ways to think like a 21<sup>st</sup> – Century Economist

Raworth proposes seven ways of rethinking economics in the 21<sup>st</sup> century: First is the *change in goal* from GDP growth to bringing humanity into doughnut’s safe and just space. The latter is a broader goal that envisions meeting the human rights of every person within the means of our life-giving planet. Second is *seeing the bigger picture* since the market does not work independently of society. Therefore, bigger picture should bring the market and society together and redefine the economic rules that best serve the interest of society and the environment. The third is *nurturing human nature*. Raworth argues that the

assumption of rationality of economic man is unreasonable through examples of a number of scientifically proven cognitive biases that humans possess and therefore would weaken this assumption. Instead, the focus should be shifted to socially adaptable humans. This takes into account the fact that ‘humans are social, interdependent, approximating, fluid in values, and dependent on the living world’. Fourth is *getting savvy with the systems*. The conventional crisscross of the market’s equilibrium and the circular flow of the diagram of money and resources between households and businesses do not capture the uncertainty of financial markets and fails to recognize the economy’s reliance on natural resources or to account for non-market-based goods and services. Hence, systems thinking is required that captures the dynamic complexity of the environment we live in.

Fifth and sixth are the *designs to distribute* and *create to regenerate*. The former entails that inequality is a design failure and may not necessarily go by the line Kuznets curve suggests. Economics should be designed such that it is more distributive of the value than it generates. The latter entails that ecological degradation is simply the result of degenerative industrial design and hence economic thinking should be such that it unleashes regenerative design that ensures the full participation of humans in the Earth’s cyclical processes of life. The seventh is *to be agnostic about growth*. In the words of Raworth: ‘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’. This is why she argues we need to be constantly agnostic about growth and explore ways to live in an economic world that is not financially, politically, and socially addicted to growth. In essence, Raworth suggests that the goal of growth does not necessarily redistribute wealth and lead to environmental regeneration. Hence, she further suggests designing economics that is redistributive and regenerative in making.

In sum, Raworth’s Doughnut Economics illuminates economists with alternative ways of understanding economics. Economics should not be a growth melodrama in the 21<sup>st</sup> century since this is now exhausting earth’s resources in a way that compromises the very existence of human civilization. We need to leave enough resources for our future generations in a way that the present generations meet their social needs by limiting their economic activities within the safe and just space of humanity, as depicted in middle of the doughnut economics framework. Likewise, the book reiterates the call to take climate change seriously, change the business-as-usual course of carrying out activities, and act responsibly for a common goal of sustainable development.

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