

## Book Review

**Kate Raworth, *Doughnut Economics: Seven Ways to Think Like a 21st Century Economist*. London: Penguin Random House, 2017, 373 pp., ISBN: 978 1 847 94139 8.**

“Doughnut Economics: Seven Ways to Think Like a 21st Century Economist” is a book that challenges the contemporary theories and practices of economics and gives suggestions to alter the theories to make them suitable for the current world. Simultaneously, the author Kate Raworth, introduces an economic model with an aim to develop a safe and just world for human beings. The author metaphorically named the model a “Doughnut” which is a pair of “concentric rings.” According to the author, the upper layer of the ring is the “ecological ceiling,” going beyond which will bring “critical planetary degradation.” And the bottom layer is the “social foundation,” going below which will bring “critical human deprivation.” The place between these two layers is the long term destination of humanity called “the safe and just space for humanity.” The process of gradually moving towards the safe and just space are explained throughout the seven core chapters of the book represented as the “seven ways to think like a 21st century economist.”

The first chapter is entitled “Change the Goal: from GDP to Doughnut.” Here, the author asserts that the selfish goal of profit maximization with an aim to GDP growth is killing the natural eco-system of earth. With too much production at minimum cost, on the one hand, is putting too much pressure on the environment; and on the other hand, it is creating extreme inequality of income among different classes of people. To come out of this situation, Raworth correctly suggests to change the local goal of GDP growth to global goal for bringing the humanity into the safe and just space of the Doughnut.

The Second chapter, “See the Big Picture: from Self-contained Market to Embedded Economy” starts with the world famous “circular flow diagram” introduced by Paul Samuelson that explains the macro-economy based on the economic cash flow. The author criticizes this world famous diagram for its myopic view on monetary flows only, for explaining macro-economic activity and missing out on important elements such as “energy and materials on which economic activity depends” and “society within which those activities take place.” Raworth then introduces a new and more practical diagram for macro-economic depiction named as “the Embedded Economy” which has “Earth-the living world-powered by energy from the sun” in its outmost layer. Inside earth is the human society and further inside is the human economic activities illustrated by Samuelson. This diagram performs a very important task of diverting the world’s attention from only income generation to overall

wealth generation such as natural, social and financial, all of which are essential for the survival of earth.

The third chapter entitled “Nurture Human Nature: from Rational Economic Man to Social Adaptable Humans” describes the flaws in the definition of rational economic man used widely in the discipline of economics and refers to a new portrait of human kind suitable for building “the safe and just space for humanity.” The rational economic man, who is self-contained and greedy of becoming the highest earner, certainly should not be the ideal portrait of human being since this man does not care about the huge opportunity costs of the environmentally unsuitable profit stimulating production process. To save the world from the hand of this selfish “rational economic man,” Raworth portrays the “the 21st century economic man” possessing five crucial qualities—social and reciprocating; having fluid values; interdependent; approximating; dependent on the living world. These human qualities could definitely be considered vital for saving the current world from planetary degradation and human deprivation.

Chapter four has the heading of “Get Savvy with Systems: from Mechanical Equilibrium to Dynamic Complexity.” Here the author contends that the general market equilibrium condition universally taught to students could be very troublesome. The author is definitely correct here because this condition does not discuss the adverse effects caused by the degenerative nature of production and consumption process followed while reaching the market equilibrium. According to her, the desire to reach this mechanical equilibrium has created extreme inequality among people, forced billions of people to extreme deprivation and meted out harsh punishment to the planet. To come out of this situation Raworth introduces an economy worthy of drawing the attention of policy makers because it is “distributive and regenerative by design.” By “distributive” the author describes an economy which circulates its values among maximum; by “regenerative” the author expects an economy where everybody participates in restoring the life giving cycles of earth.

The fifth chapter entitles “Design to Distribute: from ‘Growth will Even it Up Again’ to Distributive by Design” critiques the famous Kuznets Curve which asks for accepting inequality at the beginning in order to reach equality at the end. The author correctly points out that targeting inequality at the beginning is not a healthy practice as it puts a strain on the sufferer. Indeed, the world leaders cannot ask these sufferers to sit idle until the income of the richest reach them. Instead the leaders could follow Raworth’s idea of wealth generation, such as land, enterprise and knowledge, keeping them distributive from the beginning. As a whole, forgetting the top-down approach of income redistribution, the world should concentrate on horizontal approach of generating holistic growth focusing on equity.

Chapter six has the title “Create to Regenerate: from ‘Growth will Clean it up Again’ to Regenerative by Design.” Like the fifth chapter, this chapter also contains Raworth’s criticism of Kuznets Curve but this time the author critiques the Environmental Kuznets Curve. This curve depicts that to become environmentally clean, a country should tolerate environmental pollution at

the beginning. The author could be considered correct to reject this theory because environmental pollution should be mitigated from the beginning of a country's growth. And for eradicating pollution, the Butterfly Economy model suggested by the author could be kept into consideration. This model of economy is "regenerative by design" as it uses renewable biological and technical nutrients for production, and regenerates and reuses the factors used in order to minimize the loss of matter and heat after consuming the goods.

The seventh chapter entitles "Be Agnostic about Growth: from Growth Addicted to Growth agnostic" challenges the aim of continuous GDP growth as the core indicator of growth. For this purpose, the author juxtaposes the famous Rostow's Five Stages of Growth theory and points out at his fifth and final stage of growth known as "the age of high mass-consumption." Raworth is correct to identify this stage as the most problematic stage of growth because here people become addicted to unnecessary and environmentally harmful production and consumption. Hence, the author suggests to amend the fifth stage of growth to "preparation for landing." In addition, she introduces a sixth stage of growth called "Arrival." Through these two new stages, the author emphasizes on bringing an end to continuous economic growth; otherwise, the world will continue to live in peril. In the strong voice of the author, "we need an economy that makes us thrive, whether or not it grows."

In accordance with the core seven chapters, the book has an introductory chapter called "Who Wants to be an Economist" where the motto of the book and the summary of the seven chapters are discussed. The book also has a concluding chapter entitled "We are All Economists Now" which reinforces the ideas introduced in the Doughnut model and the seven chapters as discussed earlier. The author expresses hope that soon the "21st Century Economist"s will bring the positive changes necessary to run the economy in equity and sustainability.

This book is a great piece for the experts in the field of Economics and Environment as well as for the general public. The ideas introduced in the book are expressed in so lucid manner that any reader would be able to grab the ideas without having any prior knowledge of the topic. The author deserves kudos for having the courage to not only analyze the most famous theories of economics and identify the flaws but also for suggesting effective solutions to make them socially equitable and environmentally sustainable. Nevertheless, the book cannot be considered flawless. The greatest flaw according to this reviewer is the disconnection between the Doughnut model introduced by the author and the content discussed in the core chapters. Although, all throughout the book the author regularly expresses her target to reach "the safe and just space for humanity" of the Doughnut model, she inadequately discusses the indicators referred in her model for reaching that space. Infact, she neither justifies the selection of the bunch of indicators used in measuring the social foundation and ecological ceiling nor does she develop specific methods to measure all the indicators. The Doughnut model introduced by Raworth, therefore, would have been accepted much widely if she had regularly connected the popular theories analyzed in this book to her ideology behind using the

indicators. Most importantly, developing a single index for measuring her Doughnut model could bring a dramatic execution of her model around the globe.

Iffat Ishrat Khan  
*Lecturer,*  
*CIU Business School,*  
*Chittagong Independent University,*  
*Chattogram, Bangladesh*  
*Email: iffatikhan@gmail.com*