

The Doughnut Economy, Explained

The concept of the [Doughnut Economy](#) was created by economist Kate Raworth in 2012.

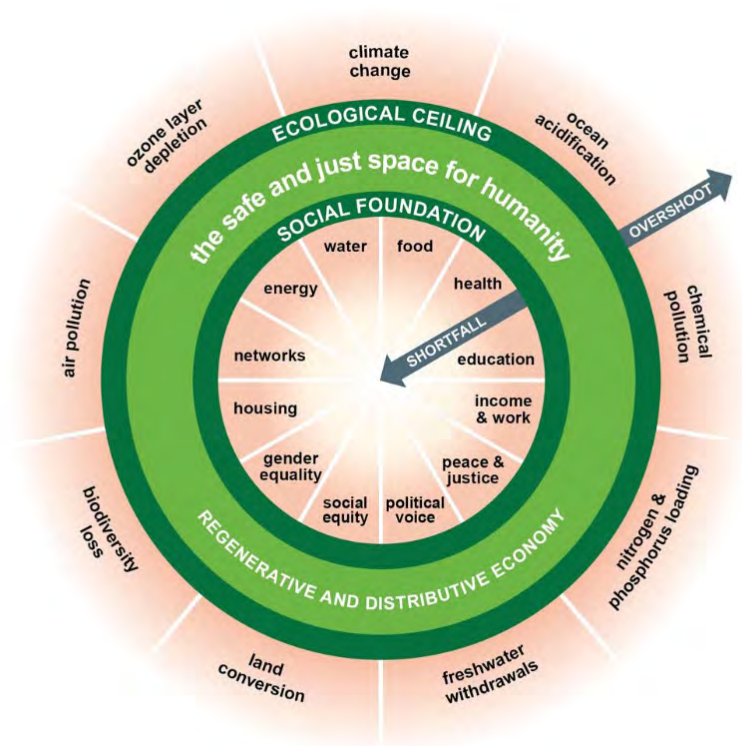
Prior to the doughnut model, many of our existing economic theories (Keynesian, Monetarist, etc.) were over 100 years old. Economic growth was measured only by an increasing GDP, ignoring the finite nature of earth's resources and the consequences of our actions.

Raworth wanted to create an economic model fit for the 21st century. The central theme of the Doughnut Economy is balance: the theory postulates that a thriving human existence is only possible by considered use of available resources. Use too much, and we risk catastrophic effects that are harmful to human life. However, using earth's resources unwisely can also lead to a shortfall, with humans existing in danger and hardship.

The 'doughnut' is the safe zone between these two extremes. It represents the ability to thrive economically, with the following social foundations being met for all people:

- Water
- Food
- Health
- Education
- Income & work
- Peace & justice
- Political Voice
- Social equity
- Gender equality
- Housing
- Networks
- Energy

This model is relevant to any group negotiating the balance between economic growth and powerful social change: governments, local authorities, NGOs, charities, and businesses. Its creator, Kate Raworth states that the theory "acts as a compass for human progress this century." A [2018 study](#) found that so far, over 150 nations have used the Doughnut Model. In fact, Amsterdam is embracing doughnut theory to plan its [post-Covid economic recovery](#).



What happens if we overshoot our resource budget?

Overshooting, or using too much of our available planetary resources, comes with drastic consequences:

- Climate change
- Ocean acidification
- Chemical pollution
- Nitrogen & phosphorus loading
- Freshwater withdrawals
- Land conversion
- Biodiversity loss
- Air pollution
- Ozone layer depletion

For each of these consequences, the model provides a specific target based on the relevant planetary boundary. Unfortunately (but unsurprisingly) we are already overshooting on several planetary resources. For example, the model budgets 350 ppm of atmospheric

carbon dioxide concentration. However, our current proportion of atmospheric CO₂ is 450 ppm and rising.

According to the doughnut model, we have used so much of our available resources that we are now in danger of significant global warming, biodiversity loss, nitrogen and phosphorus loading, and the consequences of land conversion (converting wild areas into economic ones, such as farms or roads).

What about an undershoot (AKA the hole in the doughnut)?

If we undershoot, or use our planetary resources incorrectly, we are unable to ensure the necessary social foundations are met across human life. In real terms, this means people living without access to plentiful food, clean water, and essential healthcare access.

Of course, this is already the way of life for billions of people worldwide. The interactive Doughnut Economy model reveals just how many people are already experiencing the ill-effects of an undershoot.

- Eleven percent of the population is undernourished
- Forty-six percent of countries have an infant mortality rate exceeding 25 per 1,000 live births, and 39% of countries have a life expectancy of less than 70 years
- Fifteen percent of adults are illiterate, and 17% of children aged 12-15 are out of school
- Twenty-nine percent of people live on less than \$3.10 a day (the international poverty limit). A further 13% of young people are seeking but unable to find work.
- A massive 85% of the population resides in countries judged 'corrupt' by the Corruption Perceptions Index. Thirteen percent of the population resides in countries with a high homicide rate: 10 or more per 10,000.
- Fifty-two percent of the population resides in countries where they lack a political voice, according to the Voice and Accountability Index.
- Thirty-nine percent of the population live in countries without social equity: a lack of justice and fair social policy.
- There are 56% more men than women in national parliaments, and the worldwide earnings gap between men and women is 23%.
- Twenty-four percent of the global urban population lives in slums.
- Twenty-four percent of the population say they have no one to count on in times of trouble, and 57% of the population have no access to the internet.
- Seventeen percent of the population lacks access to electricity, and 38% lack cooking facilities.
- Finally, 9% of the population have no access to improved drinking water and 32% lack improved sanitation.

While these figures are startling, they are not the full extent of the problem. As we understand it, these figures don't account for the individuals who are already suffering or

displaced due to the effects of climate change, rising sea levels, deforestation, or other dangerous scenarios that sit on the outside of the doughnut.

The sweet spot

The doughnut-shaped space in the middle of the model is what we should strive for: a thriving global existence that avoids the catastrophic implications of overusing earth's natural resources.

While the Doughnut Economy is most applicable on a macro level to economists and policy makers, businesses can also engage with the doughnut model on a micro scale. For certain organizations, such as organic food producers or companies building better lives for their international suppliers, their link to the doughnut is clear. However, there are ways for all businesses to engage with this framework.

Female-led business resource, [The Big Whisper](#), has put together some questions that business leaders should ask themselves in order to apply the spirit of Doughnut Economics to their organization:

1. What core emotional and/or social need(s) are we helping others to meet through what we are offering?
2. What are we doing to ensure no environmental harm with how we're producing and selling our goods and services?
3. What are we doing to ensure we are giving back to the ecosystem that we are taking part in?

When it comes to minimizing the environmental harm created through business operations, embracing renewable energy is a simple and cost-effective option. A [modest 50 kWp solar array](#) (suitable for a small factory or similar) has the potential to save 13,500 kg of CO₂ every year. Even a [small domestic array](#) can save 1,200 kg of carbon a year. Without solar PV, that carbon would end up in the atmosphere, meeting planetary resource limits and contributing to global warming.

Embracing the Doughnut Economy requires work and change. However, coming to terms with environmental responsibility is a small price to pay for a thriving economy, population, and planet.

What do you think about the idea of the Doughnut Economy? Let us know on [Facebook](#), [Twitter](#), or [LinkedIn](#).