

# Doughnut Economics Summary

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**1-Sentence-Summary:** *Doughnut Economics is a wake-up call to transform our capitalist worldview obsessed with growth into a more balanced, sustainable perspective that allows both humans and our planet to thrive.*

**Read in:** 4 minutes

**Favorite quote from the author:**



Last week, I had to give a presentation for a seminar. Most of the other groups used consulting firm style slides, with elaborate visualizations of models, steps, workflows, and charts. In our group, however, I pushed for us to use only a single photograph on about 10% of the slides. Why?

Metaphors are a key element of any good talk. And images make for great metaphors. For example, I used a castle to explain Warren Buffett's moat investing strategy, as well as how isolated our example firm's business model was. But the best metaphors are those where the image represents your idea in its entirety, *including* the model. Metaphors like the one Kate Raworth makes in *Doughnut Economics*.

She's an Oxford economist, who suggests an update to 21st century economics, which accounts not just for our well-being and prosperity, but for that of our planet as well. Here's the gist of her ideas in 3 lessons:

1. Our economy isn't a closed market system.
2. To cover both our, as well as our planet's needs, we can think of economics as a donut.
3. The first step to actually turning our economy into a circle is focusing on reusability.

Whether you've never studied economics or consider yourself a member of the school of rational thought, here's a new, useful model you can understand in just a few minutes!

## Lesson 1: The prevailing economic market model has 4 major flaws.

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Among the thousands of economic diagrams, which humans have developed over centuries, one has really cemented itself into not just textbooks, but the backs of our brains: the circular flow of labor, capital, goods and services. It usually pictures two parties, firms and households, who exchange work for wages, rent, and dividends. The money then flows back to those firms as consumer spending on goods and services.

According to Kate Raworth, there's only one problem with it: it's wrong. She names four major factors that this diagram, which dominates economic education, neglects:

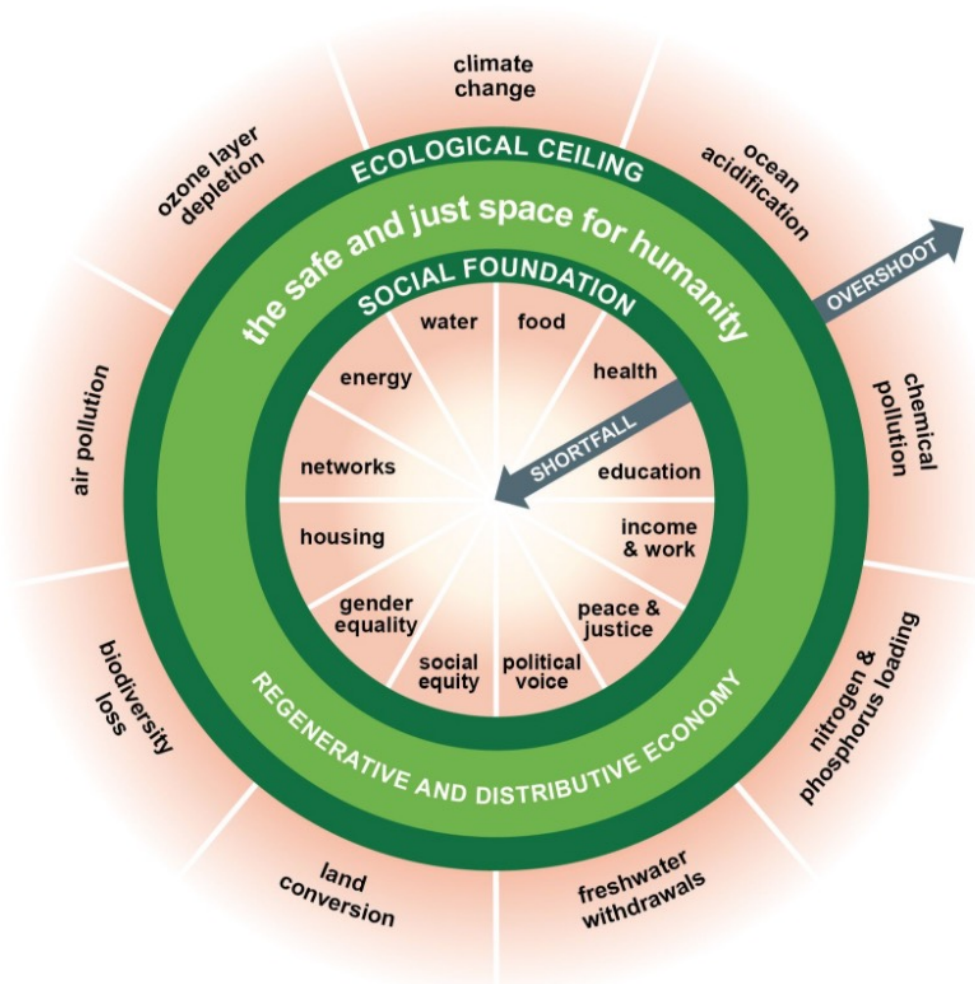
1. **Ecological context.** Our economy is embedded into the environment. We draw on the planet's resources, like sun and water, and turn them into pollution and waste.
2. **Parenting.** Ungodly amounts of hours go into helping our children, caring for our family, and maintaining our households. All of them add to the economy, but aren't accounted for anywhere.
3. **Unpaid work.** We're social. We like doing things for others, even for free. Look at Wikipedia. Or Reddit. Or your simple neighborhood quid-pro-quo. But all of that adds value too.
4. **Inequality.** GDP growth is hailed as the holy grail all nations should strive for, but so far, it's failed to eliminate inequality and, in most cases, has widened the gap between the rich and the poor.

But if our economic theories are really that outdated, how can we update them? Of course, Kate doesn't just point out the problem, but also suggests a solution.

## Lesson 2: The Doughnut model can help us maintain our social foundation without breaking through our planet's ecological ceiling.

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To account for the missing factors in classic economic theories, Kate proposes a model she calls 'the Doughnut of social and planetary boundaries.' It looks like this:



Inside the doughnut hole lies our **social foundation**, which consists of 12 basic, human needs, like water, food, justice, or an education. Around the doughnut are nine planetary boundaries, which represent our **ecological ceiling**. If we overshoot on things like ocean acidification, land conversion, air pollution, and climate change, we're hurting the planet to the point where it won't be able to sustain us in the future.

Therefore, **the ideal space for our economies to be in is the 'dough' of the doughnut** the space right between the social foundation and the ecological ceiling. As long as we're in that safe and just space, we're both satisfying our needs, as well as maintaining earth's health.

We've already overshoot in several important dimensions, which means so far, we're not doing enough!

### Lesson 3: In order to make our economy truly circular, we need to focus on maximizing the reusability of goods and services.

When I was little, my grandma had a special trash can at her house, with a logo consisting of three cyclic arrows on it. It was the recycling bin, and only a small selection of waste and wrapping materials went in there. Today, recycling is a global movement and that's a good thing, Kate says.

In order to make our economy sustainable, it has to truly be circular, not just in some

theoretic, dusted model. **And making products, goods, and services reusable is a great place to start.** Here are some of the initiatives going on around the world:

- In San Francisco, [composting is mandatory](#).
- Argentinians [turn trash into art](#).
- Germany has long been recycling bottles and companies like BMW [recycle their own cars](#).
- [This little fellow](#) has made \$21,000 from recycling at just seven years old.

As you read this, scientists are working on extremely useful ways of using our waste, like [turning plastic into fuel](#). But until they crack some of these incredibly hard problems, there are lots of small steps every one of us can take. And most of them don't require knowing much about economics at all.

## My personal take-aways

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It's hard for idealistic ideas like this one to find their way into the everyday workings of capitalism, but I think the environmental perspective is the right one to take. Because while they're hard to find and take long to figure out, ideas that are not just ecologically reasonable, but also highly profitable do exist. So whatever business project you tackle next, take a look at it through the lens of [Doughnut Economics](#). Our planet might thank you for it.

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## What else can you learn from the blinks?

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- What the original definition of economics was when the concept first came up
- Which fundamental errors economists make in judging human behavior
- Why chickens can help us look at markets from a better perspective
- How the Kuznets curve gave us false expectations about inequality
- Why GDP is a bad indicator of economic success

## Who would I recommend the Doughnut Economics summary to?

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The 19 year old economics student, who thinks he's got it all figured out after studying the basics of supply and demand, the 55 year old consultant, who's looking to start the second half of her career with a charitable project, and anyone who loves donuts.