

Meet The Doughnut: The New Economic Model That Could Help End Inequality

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They say a picture speaks a thousand words, so here's the state of humanity in a single image. It's the "[Doughnut](#)" of social and planetary boundaries and it could just turn out to be the compass we need for creating a safe and just 21st century.

The hole at the Doughnut's centre reveals the proportion of people worldwide falling short on life's essentials, such as food, water, healthcare and political freedom of expression – and a big part of humanity's challenge is to get everyone out of that hole. At the same time, however, we cannot afford to be overshooting the Doughnut's outer crust if we are to safeguard Earth's life-giving systems, such as a stable climate, healthy oceans and a protective ozone layer, on which all our wellbeing fundamentally depends.

Safe and just space

If getting into the Doughnut's safe and just space between these social and planetary boundaries is humanity's 21st century goal, then – it comes as no surprise – we have a big job ahead. Many millions of people still lack life's essentials, living daily with hunger, illiteracy, insecurity and voicelessness. At the same time, humanity's collective pressure on the planet has already overshoot at least four planetary boundaries: for climate change, land conversion, fertilizer use, and biodiversity loss.

In other words, today's global economy is deeply divisive – riven with extreme inequalities – and it is degenerative too, running down the living world on which everything depends.

What economic mindset can give us even half a chance of turning this situation around? This is the question at the heart of my book, [Doughnut Economics: Seven Ways to Think Like a 21st Century Economist](#), and here I'll focus on just one of those seven ways: a revolution in economic thinking about inequality.

Progress for everyone

Inequality seems to have become the topic of our times, even though barely a decade ago it was politely kept off the agenda. Thanks to the past 10 years of ground-breaking analysis – including Wilkinson and Pickett's [The Spirit Level](#), Oxfam's annual billionaire [calculations](#) and Piketty's [Capital in the 21st Century](#) – combined with the extraordinary [rise](#) of the 1%, the promise to tackle inequality now appears high on every policymaker's list. We are daily offered "inclusive growth" and "an economy that works for everyone". So what kind of economic mindset can help bring it about?

Certainly not 20th-century thinking on inequality, which was ruled by a spurious economic law of motion. And that law's accidental creator, Simon Kuznets, would be the first to debunk the political narrative that has been built on the back of it, used to justify trickle-down economics and austerity politics ever since.

In 1955, Kuznets gathered together patchy historical data on income distribution in the US, UK and Germany, and he thought he [saw a pattern](#): that as economies grew, income inequality rose at first and then fell. Plotted on the page, it looked like an upside-down U.

Kuznets was the first to acknowledge that this finding went against his intuition: given the dynamics of capital accumulation, he expected the rich to get richer, not the poor to catch up. So he proffered a tentative explanation based on the process of rural-to-urban migration – a hypothesis for which he later admitted he had “no evidence whatsoever”. He even openly acknowledged that his conclusion was based on “5 per cent empirical information and 95 per cent speculation, some of it possibly tainted by wishful thinking”, later adding that it should not be used for making “unwarranted dogmatic generalisations.”

So much for Kuznets’ caveats. The underlying message – that rising inequality is an inevitable stage on the journey towards economic success for all – was too good a story to doubt and the Kuznets Curve was taught to every student for at least the next 50 years. That matters because it wordlessly whispers a powerful message: if you want progress, inequality is inevitable. It’s got to get worse before it can get better and growth will (eventually) make it better.

So what new paradigm can replace this outdated myth and its accompanying intellectual graffiti? An old picture is best dislodged by a new one, so let’s start with a 21st-century image fit for tackling inequality: a network of flows.

Distributive by design

To transform today’s divisive economies, we need to create economies that are distributive by design – ones that share value far more equitably amongst all those who help to generate it. And thanks to the emergence of network technologies – particularly in digital communications and renewable energy generation – we have a far greater chance of making this happen than any generation before us.

As we do so, we should also deepen the ambition of the redistribution agenda. In the 20th century, policies promoting redistribution were largely focused on redistributing income – by raising taxes, increasing transfers, and implementing minimum wages – along with investing in key public services such as health and education. All are essential, but they still don’t get to the root of economic inequalities because they focus on income, not the sources of wealth that generate it.

Instead of focusing foremost on income, 21st-century economists will seek to redistribute the sources of wealth too – especially the wealth that lies in controlling land and resources, in controlling money creation, and in owning enterprise, technology and knowledge. And instead of turning solely to the market and state for solutions, they will harness the power of the commons to make it happen. Here are some questions that 21st century economists have already taken on to help create an economy that is distributive by design:

Land and resources: how can the value of Earth’s natural commonwealth be more equitably distributed: through land reform, land-value taxes, or by reclaiming land as a commons? And how could understanding our planet’s atmosphere and oceans as [global commons](#) far better distribute the global returns to their sustainable use?

Money creation: why endow commercial banks with the right to create money as interest-based debt, and leave them to reap the rents that flow from it? Money could alternatively be created by the state, or indeed by communities as [complementary currencies](#): it’s time to create a monetary ecosystem that can fulfill this distributive potential.

Enterprise: what business design models – such as [cooperatives](#) and [employee-owned](#) companies – can best ensure that committed workers, not fickle shareholders, reap a far greater share of the value that they help to generate?

<https://www.weforum.org/agenda/2017/04/the-new-economic-model-that-could-end-inequality-doughnut/>

Knowledge: how can the potential of the creative commons be unleashed internationally, through free open-source [hardware](#) and [software](#), and the rise of creative commons [licensing](#)?

Technology: who will own the robots, and why should it be that way? Given that much basic research underlying automation and digitization has been publicly funded, should a share of the rewards not [return to the public purse](#)?

By taking on such questions of distributive design, we'll give ourselves a far greater chance of tackling inequality and of thriving in the Doughnut's safe and just space this century. And that is nothing less than our generational challenge.