

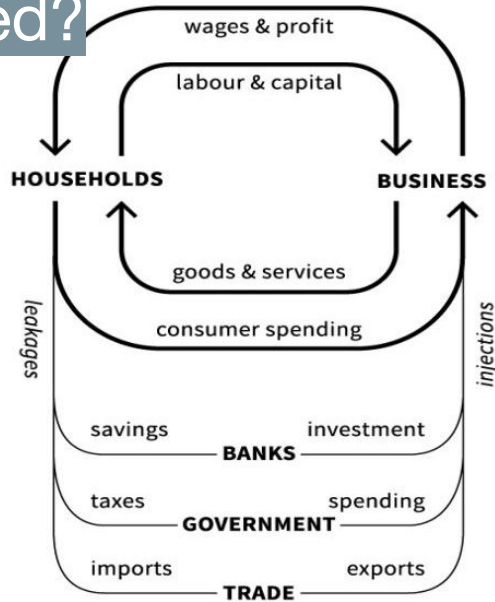
# Doughnut Economics

## Chapter Two

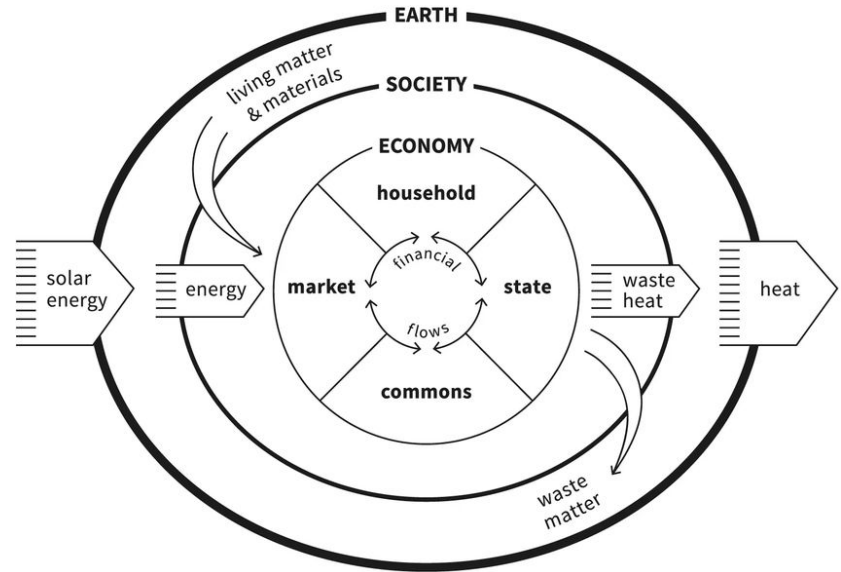
### See the Big Picture

From self-contained market to embedded economy

Who is at centre stage,  
 how are the characters  
 described and what has  
 been omitted?



The Circular Flow. Diagram by Marcia Mihotich.  
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Embedded economy (Raworth, 2017)

“How productive would  
your workforce be if it  
hadn’t been toilet  
trained?”<sup>1</sup>

1. Alvin Toffler, futurist.

# Circular Flow

Paul Samuelson, 1948 in 'Economics' drew the Circular Flow to illustrate how income flows around the economy - centre stage is households and businesses

Bill Phillips made his MONIAC machine in 1949

Mont Perlin society (incl. Hayek, Friedman, von Mises and Knight) founded late 1940s, setting up neoliberal agenda

Thatcher and Raegan in 1980 - the 20th C neoliberal story

# Circular flow

**THE MARKET** which is efficient so give it free rein  
**BUSINESS** which is innovative so let it lead  
**FINANCE** which is infallible, so trust in its ways  
**TRADE** which is win-win so open your borders  
**THE STATE** which is incompetent so don't let it meddle

Not included:

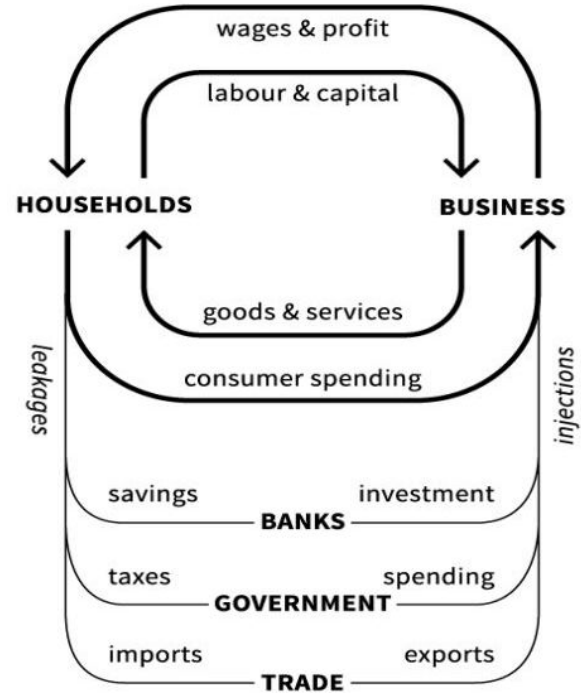
THE HOUSEHOLD

THE COMMONS

SOCIETY

EARTH

POWER



# Embedded Economy

*“It ends the myth of the self-contained, self-sustaining market, replacing it with provisioning by the **household, market, commons** and **state** - all embedded within and dependent upon **society**, which in turn is embedded within the **living world**. It shifts our attention from merely tracking the flow of income to understanding the many distinct sources of wealth - natural, social, human, physical and financial - on which our well being depends.”*

Doughnut Economics, Ch. 2 - Raworth

# Embedded economy

**EARTH** which is life-giving so respect its boundaries

**SOCIETY** which is foundational so nurture its connections

**THE ECONOMY** which is diverse so support all of its systems

**THE HOUSEHOLD** which is core so value its contribution

**THE MARKET** which is powerful so embed it wisely

**THE COMMONS** which are creative so unleash their potential

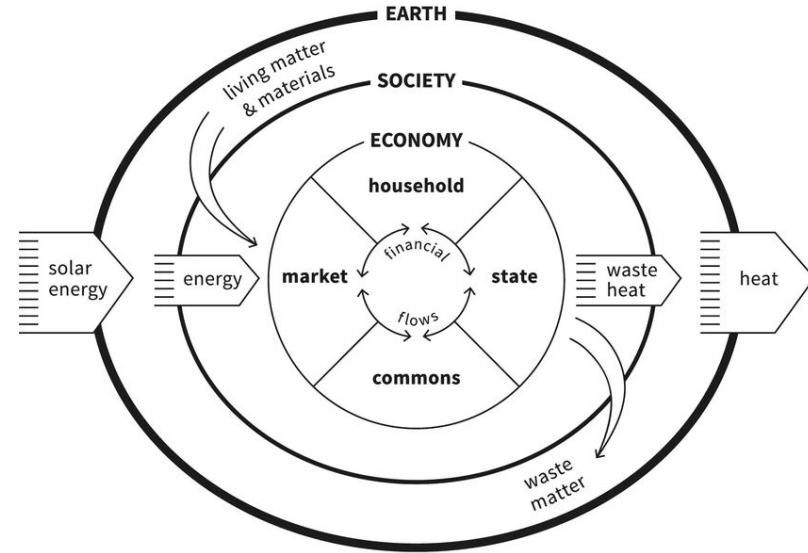
**THE STATE** which is essential so make it accountable

**FINANCE** which is in service so make it serve society

**BUSINESS** which is innovative so give it purpose

**TRADE** which is double-edged so make it fair

**POWER** which is pervasive so check its abuse



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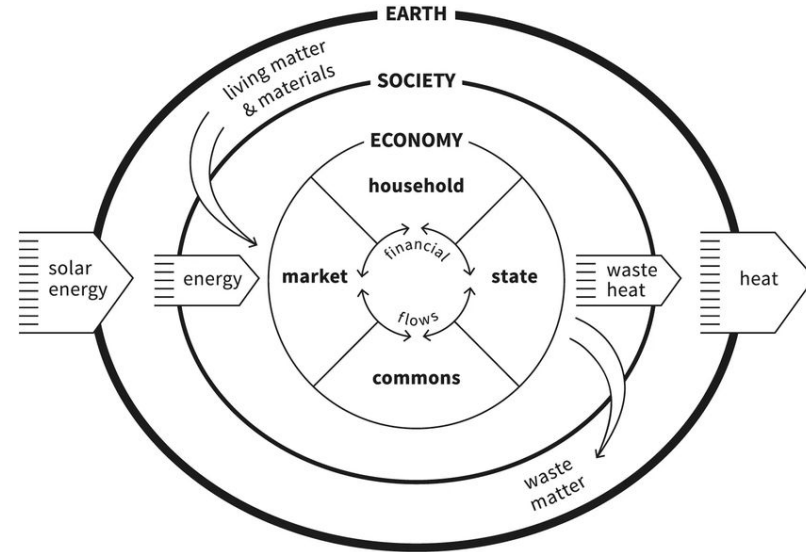
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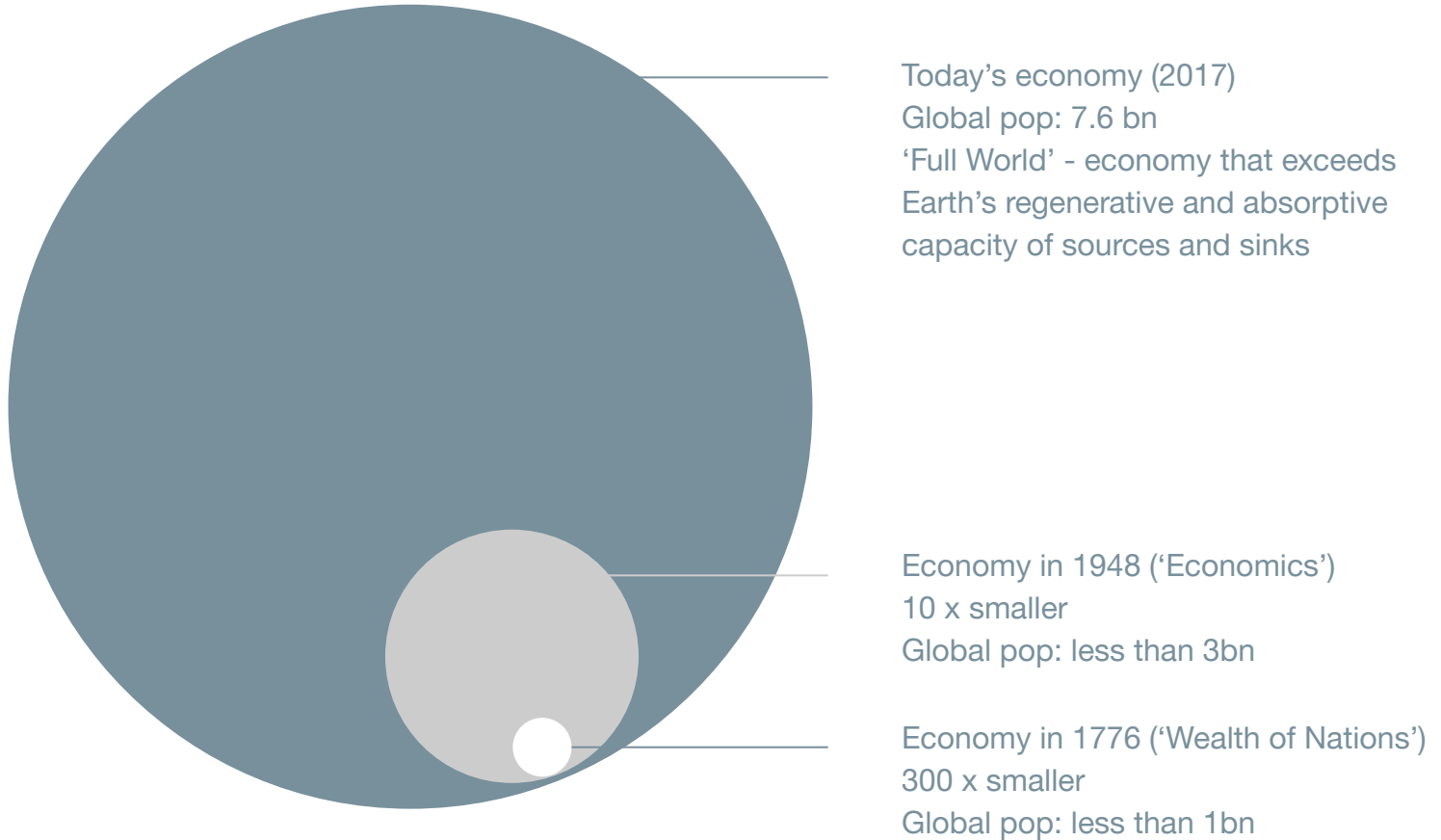
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# EARTH



# HOUSEHOLD/MARKET/ COMMONS/STATE

**THE HOUSEHOLD** which is core so value its contribution

**THE MARKET** which is powerful so embed it wisely

**THE COMMONS** which are creative so unleash their potential

**THE STATE** which is essential so make it accountable

The productivity of the paid economy depends directly on the 'core economy'

Only values what is priced and only delivers to those who can pay. Fails to deliver the essentials its own success depends on

Not tragic. A triumph, outperforming state and market in sustainably stewarding and equitably harvesting Earth's resources. (Ch. 5 & 6)

Should win Best Supporting Actor for all the above, as well as providing public goods. The state has supported extraordinary successes of private market e.g. Apple, GPS, touchscreens

# New questions

- 1 When is each of the four realms of provisioning best suited to delivering humanity's diverse wants and needs? (household, common, market, state)
- 2 What changes in technology, culture and social norms might alter that?
- 3 How can these four realms most effectively work together - such as the market with the commons, the commons with the state, or the state with the household?
- 4 Rather than focusing by default on how to increase economic activity, ask how the content and structure of that activity might be shaping society, politics and power.
- 5 And just how big can the economy become, given Earth's ecological capacity?