

# **DOUGHNUT ECONOMICS : RETHINKING CITY ECONOMIC RESILIENCE**

BY

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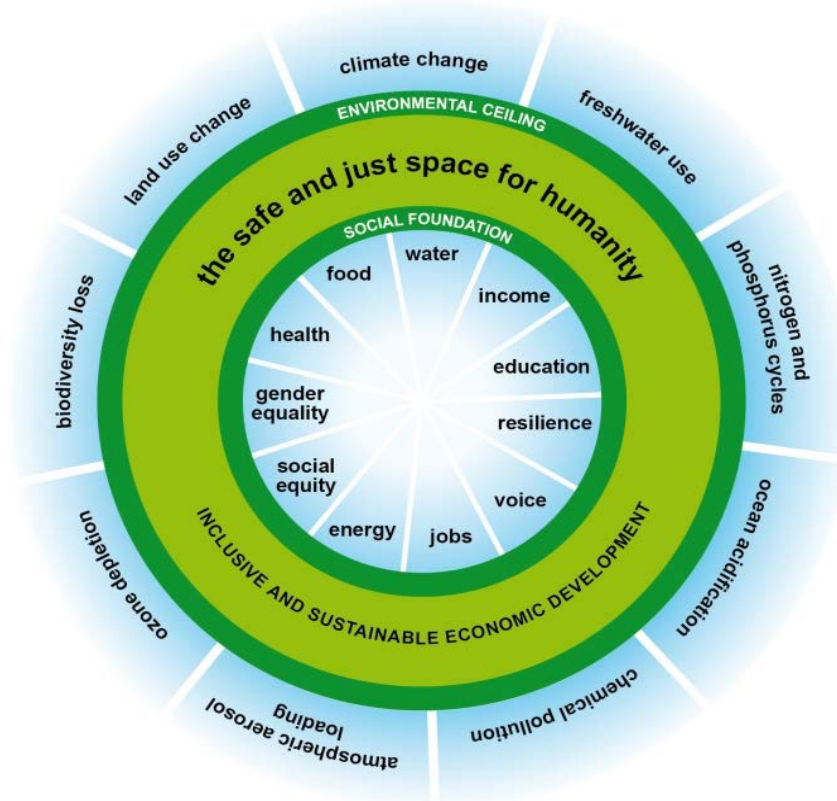
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COVID-19 is definitely putting a huge economic stress on the private and public sectors. This means we need to ensure that we build resilience into our financial system so as not to continuously fight through disaster, but actually prepare and design our system against future shocks. I'm convinced that going back to business as usual and bailing out high-carbon producing industries and "hard-to-abate" sectors (like the aviation sector, car manufacturers and the fossil fuel industry), is not the right way forward. The only path to follow is to stop investing in stranded assets – such as infrastructure that uses fossil fuel reserves, particularly coal – and instead move on to building the decarbonised infrastructure that we need to meet our climate neutrality goals in Europe and the Paris Agreement goals globally. During the post-coronavirus era, as nations look to rebuild, we fundamentally need to transform, not reform, our economies. In 2017, economist Kate Raworth proposed a revolutionary new model called Doughnut Economics that is built on a social foundation with an ecological ceiling in order to break the cycle of a growth-at-all-costs-and-profit mentality.

What is Doughnut Economics? Kate Raworth of Oxford University's Environmental Change Institute in her book – "Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist", reminds us that we are wrong to treat the so-called "economic growth" to signify wellbeing of a country. The welfare of a country can scarcely be derived from a measure of national income. Economic growth, she points out, measures only annual flow, rather than stocks of wealth and their distribution. The final aim of economic activity, Raworth argues, should be "meeting the needs of all within the means of the planet". If we put it across to an individual country, what she means is instead of the country's economy that needs to grow, whether or not they make us thrive, what we need is an economy that "make us thrive, whether or not we grow". This means changing our thinking of the present economic model.

In April 2020, Amsterdam announced that they would embrace the Doughnut model to mend their post-coronavirus economy and invited Kate Raworth to join the city's post-pandemic economic planning efforts. Amsterdam will use the model to transform the way they are evaluating various competing needs, while considering the impacts on the planet. The Doughnut will act as a framework for how Amsterdam looks at competing issues, including how to prioritize the need for affordable housing vs. environmental impacts of construction. As Amsterdam utilizes the model, they will become a case study moving forward and provide opportunities to learn the model's limits and how to adapt to continue placing people and the planet over profit. This model is serves as a framework for sustainable development. Shaped like a doughnut, integrating the concept of environmental boundaries with the complementary concept of social/developmental boundaries.



Source: K. Raworth (2012)

The COVID-19 crisis has demonstrated the relevance of a sustainable business approach: the companies and countries that already started to shift away from stranded assets are actually the ones that are showing more resilience in the crisis. For instance, countries with economic models that have wellbeing indicators rather than GDP as their main economic indicator, such as Iceland, Scotland, New Zealand, Finland and Costa Rica, are emerging from the acute phase of the crisis with less economic hardship than other countries that are still stranded in the fossil energy, hard-to-abate sector economy. In the short term, when economic actors rethink their activities and financing models around more sustainable frameworks, social and environmental objectives are not only complementary, but also more innovative and more resilient across their value chains in the long term. There are many examples now of how to build back better, whether this is through doughnut economics, which looks at the existence of people within the planetary boundaries, or through wellbeing indicators.

In the post-coronavirus era, our capitalist systems need to be transformed using radical economic models such as the Doughnut model, by placing our social and ecological needs at the forefront of decision-making rather than the ongoing exploitation of people and planet for profit. In conclusion, one would want to go back to the question of how would this work in practice? In Kate Raworth words "Economic possibilities may go far beyond economic experiences. The future of economics as a legitimate tool for guiding human development depends on changing the starting point that economists adopt and the questions that they ask." 2020 offers a global momentum on circular economics and it should be leveraged as such by States. The road is highly uncertain and risky but if anything, this year is a lesson that slashing older methods can give rise to innovative, smart means.