



Doughnut Economics: A Necessary Paradigm Shift for Tackling Climate Change

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About Me

- ✓ 2016 Diploma in Development and International Cooperation (ISPI)
- \checkmark 2017 MSc in Economics (UCSC & USI)
- ✓ 2017 Junior Research Fellow at PIRP (Harvard)
- ✓ 2018 Co-Founder of *Rethinking Economics Switzerland* (RES)
- > 2018 Teaching and Research Assistant in Marketing (USI)
- 2019 PhD Student in Consumer Behaviour (USI)
- 2019 Professor of International Business Economics (FUS)
- > 2021/22 Partnerships Officer at Rethinking Economics (RE)

Outline

- Performativity of Economics
- Economics and Climate Change
- Doughnut Economics

Performativity of Economics

Situated Knowledge



Economics Education

- "Practical men who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist" (Keynes 1936)
- Economics education plays a crucial role, despite its long cycles and delayed impact, in shaping the minds of the future practitioners: from policy-makers to business consultants, managers and marketers
- Economists and economics students are generally less generous, less cooperative, and more greedy than others (Bauman & Rose 2009, 2011; Frank et al. 1993; Wang et al. 2012)

Performativity of Economics





The Performative Role of Economics

- Usually praised for its **descriptive** role, social science can also normatively *prescribe* social reality (e.g. Law studies)
- Economics, more than providing descriptions, informs 'a set of instruments and practices that contribute to the construction of economic settings, actors, and institutions' (Callon 1998; MacKenzie et al. 2007)
- Economics has the power to shape and produce 'perform' the reality that it describes (Muniesa 2014), shaping, influencing, and producing markets (Garcia-Parpet 2007; MacKenzie & Millo 2003; MacKenzie 2007), economic actors (Fridman 2010; Callon & Muniesa 2005), and organizational practices (Ferraro et al. 2005; Ghoshal & Moran 1996)
- Performativity scholars study the impact of economic discourse on the economy, and the processes through which the phenomena that the former describes are produced in reality (Callon 2008; MacKenzie 2009; Boldyrev & Svetlova 2016; Çalışkan & Callon 2009, 2010)

Economics and Climate Change

Environmental Kuznets Curve



Environment and Economic Growth

- Grossman & Krueger (1990s): when it comes to pollution, *it has to get worse before it can get better* (and **more growth** will make it better)
- As one of the first "theories" in Environmental Economics, it suggested that economic growth is eventually **good for the environment** and became the perfect justification for trickle-down economics in climate policy
- Data were incomplete, and available for local air and water pollutants only: the model was technically unreliable and mainly driven by **speculation** and wishful thinking (as for the original Kuznets Curve)
- Historical differences between countries and the role of path dependency in establishing the U-shape were significantly undermined
- Total energy use (and total emission of greenhouse gases) is still rising in most developed countries
- Net pollution reduction is not applicable on the global scale, as wealthy nations export the activities that pollute the most to poorer nations

Environmental Economics



Economics and Climate Change

- So called '**market failures**' happen when free markets do not maximize society's welfare and policy intervention may be needed to correct them
- In this framework, polluting activities lie within the category of **negative externalities**, and climate change is the ultimate negative externality
- Most of the adverse impacts of greenhouse gas emissions do not fall on those conducting the economically valuable activities
- That is, the **individual action** of driving a car is causing damages for everyone else in the planet at the **systemic level**
- Since they fall on future generations or people living in developing countries, those responsible for the emissions **do not pay the cost**
- The third parties are often perceived as "far" both in time and space this constitutes one of the **psychological barriers** preventing climate action
- One solution would be to dis-incentivize activities that cause damage to others (e.g. carbon emission tax) – these policies had **no major achievement** since they rely on the same framework creating the problem

1. Individual and Systemic Risk

Strongly agree/tend to agree

Seriousness of climate change in comparison to Covid-19

Country data

Q. To what extent do you agree or disagree with the following:

In the long term, climate change is as serious a crisis as Covid-19 is

World	71%	21%
China	87%	11%
Mexico	84%	12%
India	81%	13%
France	76%	17%
Spain	73%	20%
Japan	72%	18%
Italy	72%	20%
Brazil	71%	20%
Germany	69%	24%
Russia	67%	22%
Great Britain	66%	26%
Canada	64%	29%
Australia	59%	33%
United States	59%	32%

Base: 28,029 online adults aged 16-74: Fieldwork dates: Thursday 16 to Sunday 19 April.

Tend to disagree/strongly disagree

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2. Methodological Individualism



Microeconomics (deserving analysis)

Macroeconomics (aggregate variables)

3. Economic Value



Doughnut Economics

From 'Old' to 'New' Economics

- The standard supply chain is based on **outdated models of economic growth**, which prescribed the "best" modes of productions
- Some of the causes of climate change are rooted in the practices derived from the **implications** of those models (see Meadows et al. 1972)
- In 2017 the British economist Kate Raworth publishes a book called *Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist*
- She proposes, among other brilliant insights and suggestions, to rethink the way in which the economy is perceived by economists
- The 'Doughnut' implies a framework where we are inevitably embedded in a bounded natural system, planet Earth itself
- Planetary boundaries (outer circle) are as fundamental as basic social needs (inner circle) and the latter should never outperform the former

The Doughnut



Concrete Applications

BUILDING BLOCKS FOR THE NEW STRATEGY AMSTERDAM CIRCULAR 2020-2025

X City of X Amsterdar

Directions for a thriving city within the planetary boundaries

The UK's Path to a Doughnut-Shaped Recovery

Beth Stratford and Dan O'Neill

Fostering Spill-over Effects

- Spill-over effects are usually associated with negative outcomes (i.e. an event in a country has a ripple effect on the economy of another)
- However, the way in which the model is designed allows for positive spill-over effects throughout the inner and outer circles
- In principle, tackling one issue can either reduce the overshoot of the ecological ceiling or prevent the shortfall of the social foundation
- But with spill-overs, policies that are meant to adjust one single slice of the Doughnut often have **positive impacts upon other slices**
- Small fixes to the inner or outer circle aren't going to work, so think systemically and long-term
- Solutions to 21st century challenges come from new frameworks, theories, models, and mind-sets to approach them

Paradigm Shifts



The Tipping Point



Sources





An introduction to pluralist economics

Tanta and a state of the

Edited by Liliann Fischer, Joe Hasell, J.Christopher Proctor, David Uwakwe, Zach Ward-Perkins and Catriona Watson

With a foreword by Martin Wolf

ROUTLEDGE

Thank You