

Doughnut Economics: A chance at ameliorating well-being in Pakistan

Zoya Japanwala

London School of Economics and Political Science

Abstract

The Pakistani economy is under pressure to increase its growth figures, such as the Gross Domestic Product (GDP) and to pay back its foreign debt to regain its international significance. The country's economy also faces the challenge of alleviating the 24.3% of population living below the national poverty line (Asian Development Bank, 2021). In the past few years, corruption, political unrest and currency depreciation has made it next to impossible to conquer these challenges. Furthermore, now, increasingly, the country's younger generation is pressurising the government to prioritise issues such as climate change, gender equality, peace and equity. Although the government responds to these issues, the response is often short-lived at the expense of improving the country's growth figures. A social point of view has been generated that indicates that issues such as climate change, chemical pollution, biodiversity loss are issues raised by the middle and upper classes whereas at the other end of the spectrum, the lower classes struggle to attain basic necessities such as healthcare, sanitation and electricity. This article approaches Kate Raworth's 'Doughnut Economics' as a solution in intertwining these epochal concerns. The paper goes on to expose why Pakistan has more potential in improving well-being through a doughnut economics model rather than long established traditional economic models that are simply engineered to augment indicators like the GDP.

Keywords: Doughnut Economics, Pakistan, well-being, sustainable development, GDP, ecology



 © Zoya Japanwala, 2021. This is an open access article under the terms of the [Creative Commons Attribution License](https://creativecommons.org/licenses/by/4.0/), which permits use, distribution and reproduction in any medium, provided the original work is properly cited.

Introduction

Doughnut Economics is intrinsically a model developed in response to the wide number of factors that contribute to the overall well-being of a population. The model suggests how the basic needs and rights of a population can be met within a boundary that does not endanger our planets' life-support systems such as the oceans or the ozone layer. The model takes the shape of a doughnut in which the inner boundary is representative of the social foundation while the outer boundary is representative of the ecological ceiling.

The twelve components of the social foundation are the United Nations Sustainable Development Goals agreed upon by the world's governments in 2015. They include the basic necessities of life such as water, food, energy, health, housing, education, income and networks. They also cover the fundamental social and political rights needed by every human to lead a dignified life. These include, social equity, peace and justice, political voice and gender equality. The social foundation is the minimal level of well-being every economy should be able to ensure for its citizens.

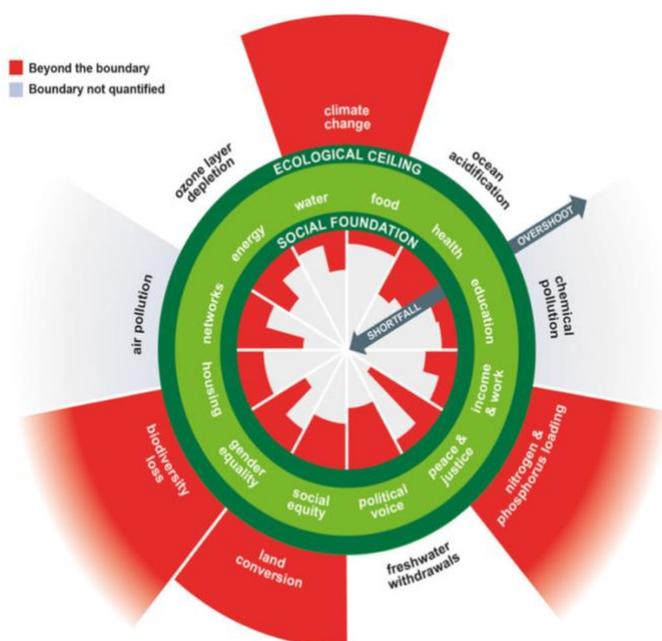


Figure 1: 'Meet the Doughnut: the new economic model that could help end inequality.'

Image taken from World Economic Forum (2017).

The outer ring of the doughnut model is the ecological ceiling. It is made up of the nine components that Rockström et al (2009) identify as the planetary boundaries. These include, ozone layer depletion, climate change, ocean acidification, chemical pollution, nitrogen and phosphorus loading, freshwater withdrawals, land conversion, biodiversity loss and air pollution. For each of these ecological components, the model defines a global control variable that should not be exceeded.

The area enclosed by the social foundation and ecological ceiling is what Raworth defines as “the safe and just space for humanity” (TedXTalk, 2014). In Figure 1, this space is indicated by the light green colour. It is the space within which economies should operate or strive to operate within. It is attributed a ‘safe’ and ‘just’ space because it refers to the space where humans are able to secure their basic rights and necessities without having to exploit the Earth’s natural resources. It represents a focus on humanity in a sustainable way. Operating within this doughnut implies that economists would have to refocus their policies and adapt them to a more socially conscious and environment friendly approach. This would cause a fundamental shift in the economic models we have been studying and applying in the last couple centuries.

Overarching economic models like the Aggregate Demand - Aggregate Supply (AD-AS) Model, the Investment Saving - Liquidity Money Supply (IS-LM) Model and Phillips Curve, have an encompassing fixation to output, which in economic terms can be equated to GDP. GDP, can simply be described as the total monetary value of all the goods and services produced in an economy over a year. Here, the focus is on a monetary measurement of consumption-production, which is widely criticised for being a narrow judgement of the well-being and standard of living the citizens of a country are enjoying. An indicator like GDP would suggest that the more goods and services per capita produced the better off people are.

The underlying complication is that economics is studied, or perhaps in the last couple centuries was studied with an exaggerated importance on the monetary value of consumption-production. This monetary focus of growth has meandered through social narratives and embedded itself in society. Baudrillard, a postmodern theorist, explores how the modern consumer society follows a ‘vicious cycle of growth’ whereby it becomes natural to have to ‘distinguish individual or collective waste as a symbolic act of expenditure, as a

festive ritual and an exalted form of socialisation' (Baudrillard, 1998; 47). This waste is generated as a result of economies constantly trying to improve their growth figures that are based on continuous and unsustainable models of growth. The Doughnut model does not suggest such a trajectory of continuous economic growth, instead it focuses on how well economies bring about a balance in prioritising the well-being of humanity and preserving the Earth's natural resources and ecosystems. Such a focus explores the linkage between social and ecological components and how our generation, as well as the future generation can use this inherent and natural connection to lead a life of higher well-being.

Furthermore, a key feature of the Doughnut economics model is that it can be adopted at different stages by different actors in the economy. Unlike GDP, it does not simply imply that the whole economy moves towards the same target at the same stage. The Doughnut model can be adapted at the individual, firm and government stage separately. For example, an individual can re-evaluate their monthly grocery list based on the wasted groceries from the previous month. Likewise, firms can question whether they are a brand that generates profits by pushing people below the social foundation or whether their manufacturing processes are posing a threat to the environment. This allows every person to become an active part of the model and re-assess their actions according to the new development nexus.

Unmasking the well-being of the Pakistani population in its present context

While forming analyses on the well-being of the Pakistani population, this paper will specifically draw closer attention to the category of Pakistani's striving to reach the social foundation. Pakistan is primarily an agricultural economy, however, since its birth in 1947, it is striving to move towards the manufacturing and tertiary sectors as it has greater potential of cashing in profits via value-addition to its raw materials. Over the past two years the most overriding problem the economy has faced is the paying back of foreign debt. Although the government claims to be making great efforts in order to do so, the International Monetary Fund (IMF) notes that as of March 31, 2020, the country has Outstanding Purchases and Loans worth 4717 millions of their Special Drawing Rights (SDR) with the IMF. The economy now finds itself in a chaotic situation, within which the only goal that has been made clear over the last couple years is that the country's value-added exports need to increase in order to generate revenue. In the speech following his oath-taking in 2018, newly elected Prime Minister Imran Khan, 'emphasized the need to increase exports and attract investments by policy reforms and introduction of new incentives' (Asia Times, 2018). This goal has been reiterated by the Premier timelessly till today. In 2018, the country stood at the 104th rank of

219, in its exports per capita (OEC, 2020). While boosting exports is a long process which involves dealing with bureaucracy and the energy crisis, there is hope that it may succeed in generating enough revenue for the government. Moreover, this article will examine further how an increased focus on manufactured export causes the lower class population trouble and misery, whilst also causing environmental degradation.

In addition, the goal of boosting exports is linked to an increase in the overall GDP of the country. Based on the June 2020 World Economic Outlook, the IMF projects a - 0.4% change in the 2020 Real GDP figure for Pakistan (IMF, 2020). This adds further pressure on the Pakistani economy to produce more goods and services locally which also results in materialism and consumerism becoming socially coherent. A deeper insight into the impact of increased production follows below.

Social Foundation

The result of an increased focus on manufacturing has led to the exploitation of agricultural sector workers and urban labour. This is because Pakistan's textile related exports make up 55% of the total value of its exports (OEC, 2020). The inputs such as cotton are sourced from the country's rural farmlands, most of which have a population living below the social foundation and the labour involved most commonly belong to slum dwellings in the bigger cities of the country. The wage bargaining power of farmers and labourers are subdued by the lack of trade union organisation and ineffective union legislation in the country. This allows factory owners to keep their raw material and wage costs low such that they can maintain or increase their profit margins while boosting the international competitiveness of their products. This effective depreciation in the real wages of farmers has entrapped them in a vicious cycle of poverty whereby their standards of living and social development are stunted. The diminutive social development in these areas insinuate an absence of basic social foundation components such as gender equality and political voice. Furthermore, the cheap labour that toils in the manufacturing plants are in no better condition. Although they live in bigger cities, their homes are overcrowded slums that lack sanitation and cleanliness, giving rise to diseases such as cholera and malaria. This is the population that loses a substantial fraction of its wage only striving to exist in an urban centre. Hence, after reviewing how those at the brink of the social foundation are affected by the race to increase manufacturing and pull up GDP figures, we can say that, from the doughnut model perspective, this is a very frightening image. It poses a threat to human well-being which

should be the primary focus of governments and any improvement in revenue should be sought in such a way that this threat is made non-existent.

Ecological Ceiling

With an aim of infrastructure development and increasing exports, many industrial zones were set up throughout Pakistan during the 1980's up till the 2000's (Akhtar, 2003). These industrial zones evidently cause a threat to the environment. They invite a large population of labourers to dwell in nearby colonies and slums, which leads to congestion and high levels of air pollution. Chemical waste that is passed through industrial chimneys as well as dangerous oxides from vehicle emissions in industrial zones worsen air quality. Due to these reasons, it does not come as a surprise that until 2019 Pakistan ranked second among countries with the worst air quality (IQAir Country Ranking, 2020). Such statistics depict the brevity of adverse effects an excessive manufacturing focus has had on Pakistan's ecology.

Furthermore, the ecological crises is exacerbated by the direct dumping of factory waste in nearby rivers and canals which proves damaging to the quality of water and quality of life of the inhabitants of those water bodies. Not only are industrial practices harmful to local water bodies but unrefined farming practices involve draining harmful nitrogen and phosphorus composites from fertilisers into these water bodies. This severe damage done to the ecology as a result of what is perceived as rapid economic growth needs to be terminated and reassessed. Doughnut economics places a boundary on the extent of harm that can be done to the environment, fundamentally, making sure that growth occurs sustainably.

Making a case for Pakistan's adaptation of the Doughnut Economics model

After having established the impact of current economic goals on vulnerable groups and the environment, it is important to identify the main reasons why an economic refocus to the doughnut model will prove beneficial to Pakistan. Ross (2019) points out the three main shortcomings that Raworth identifies in the current market system. These shortcomings are highly relevant to the Pakistani economy and because this is so, we can single them out as the main advantages that would be brought about as a result of making the Doughnut model a centre in Pakistani economic and public policy.

Protecting the ecology and preserving the Earth's natural resources

In terms of rankings, Pakistan is seen as doing below average in trying to protect its environment and the well-being of its citizens attached to the environment. Currently,

Pakistan ranks 169th place on the overall Environmental Performance Index, while ranking 177th place on the Environmental Health chart and 140th place on the Water and Sanitation chart. (EPI, 2021). From the Doughnut model perspective, this impacts the social foundation as well as the ecological ceiling. An example of how the basic social foundation necessities are not met adequately is that the Pakistan Council of Research in Water Resources deems drinking water in 17 major cities unsuitable for human consumption. Furthermore, the ecological ceiling is being threatened continuously. The main reason for this is irresponsible industrial practices that are not regulated suitably by concerned authorities. Mahmood et al. conducted a study aimed at analysing the waste that was dumped from the Hattar Industrial Estate in Pakistan into five nearby drains. The study showed that 'majority of the water quality parameters exceeded the National Environmental Quality Standards in the country' (Mahmood et al., 2019; 1) This is particularly terrifying as heavily polluted water can have a damaging and lasting effect on groundwater quality, freshwater ecosystems and the soil profile. The Pakistani economy needs to focus on these environmental concerns and doughnut economics overcomes this shortcoming of the current economic focus.

However, for this argument concerning environmental degradation, some would argue that the environmental Kuznets curve hypothesis is true for Pakistan which is why environmental degradation is not an urgent concern that needs to be addressed. The environmental Kuznets curve hypothesis insinuates that as the per capita income of a country rises, the environment worsens, however as per capita income continues to rise, there comes a turning point after which the environment begins to improve. For Pakistan, some argue that this holds true as 'in a low-income regime, an increase in GDP causes more emissions and, in a high-income regime, the relationship between GDP and carbon dioxide (CO₂) emissions becomes negative' (Khan, 2019;1). Moreover, as a rebuttal to this, it can be argued that the IMF claims Pakistan has a -1.5 annual percentage change in real GDP growth (IMF, 2020), so even if the Kuznets curve hypothesis does hold true it would mean that environmental degradation will keep getting worse as GDP is projected to shrink. This reinforces the importance of paying immediate attention to the environment rather than putting it off for later by arguing that an increase in GDP and associated revenues will allow for environmental improvement. Hence, this paper argues that the Doughnut model is well-suited to be adapted by countries facing low GDP figures as it does not imply a focus on the environment after having reached high economic growth. It simply puts environmental conscientiousness at the forefront of an economy's development, regardless of the growth stage of an economy.

Accounting for unpaid labour

The doughnut model accounts for gender equality, income and work on its social foundation boundary. This notion is reinforced by Raworth (2014) in her Ted Talk when she sheds light on the unpaid labour done by women of raising and birthing the next generation of workers. In Pakistan, various household tasks such as preparing meals, washing and ironing clothes, washing dishes, house cleaning and mending clothes are unaccounted for, just as in most other countries. In cases where domestic help is hired, it is not ensured whether they are being paid the national minimum wage.

This effort that is not accounted for in monetary terms, becomes completely invisible. The previously established consumption-production macroeconomic models ignore this labour and so help in perpetuating a social narrative that also does not consider or reward domestic work. The Doughnut model brings domestic work into focus so much so that it demands domestic work to be recognised as a social foundation. If Pakistan were to start accounting for domestic work then indicators like income per capita and labour force participation rate would see some significant changes, but the benefit would be that the value of such work would be created. This value would insinuate the uplifting of a broad social category of women who perform such labour daily, along with an opportunity for these women to see themselves as an active part of the economy who can contribute to the protection of the environment via their recognised role in the economy.

Income inequality

By making sure that every citizen is ensured the basic necessities of life and their fundamental rights are protected, the Doughnut Economics model attempts to reduce income inequality. Income inequality is worsened through a lack of social mobility in the Pakistani society. This stems from factors such as the availability or lack of a good education, health, infrastructure, network and parents' income. The Doughnut model covers all these aspects within the social foundation, hence increasing the opportunities associated with an upward social mobility.

Furthermore, the Doughnut model reduces the chances of wealth accumulation in society. This is because it calls for energy, housing, networks and much more for everybody as the minimum requirement. So, for example, a share of funding from bigger cities in Pakistan

would have to be redirected to the development of rural areas. Essentially, instead of developing urban centres further and further, allowing its dwellers more opportunities to prosper and accumulate wealth, the Doughnut model demands that roads, educational institutions, energy are made available to those at the edge of the social foundation. In economic terms, those who predominantly classify as low-income households. This gives a more equal starting point or base line to individuals and households as wealth accumulation leads to the country being run by a few, unrepresentative, wealthy and powerful figures. (Alvaredo et al., 2013)

Ensuring effective adaption of the Doughnut model in Pakistan

Having explained why Pakistan would benefit from an economic refocus, it is important to explore how Pakistan might be able to achieve this. Raworth (2017) identifies seven main ways to do this; however, this article will categorise the changes a country should adopt if they were to switch to a doughnut economics model into economic, social and technical changes.

Economic Change

An economic change in this context refers to an understanding that constant economic growth is neither essential nor beneficial, in fact it is bound to reach a point after which it causes harm to the well-being of people. For this reason, indicators like GDP should be abolished, as the scales on which these graphs are plotted will simply keep increasing due to constant growth. Instead an indicator of how well an economy can strike a balance between providing its citizens the basic necessities, whilst staying within the ecological ceiling needs to be adopted. Furthermore, as explored earlier in this paper, aims such as the boosting of manufactured export will have to be re-assessed under the Doughnut model because of its adverse spill over effects on the social foundation and ecological ceiling. This would be a paradigm shift in the economic and public policy of Pakistan, henceforth, requiring government support and potentially, incorporation of the model in the national curriculum.

Social Change

At this stage, the Doughnut model demands that the idea of seeing man as a rational economic man whose decisions are based on profit making is changed to perceive man as a socially adaptable human who is emotional, interdependent and cooperative. Moreover, it

also involves changing how we see the economy. Instead of viewing the economy as something that stands alone objectively; it is important to understand that the economy exists in an environment and that it is dependent on using the resources its environment has to offer. This inculcates a greater awareness and conscientiousness of the threat our practices pose to our Earth's ecology and natural resources.

Technical Change

This involves getting 'savvy' with existing economic thought and reassessing it such that it is understood and studied to be ever-evolving. Just as the natural sciences are open to discovery, so should economics be. This change needs to be mechanized in schools, universities, workplaces and the political systems. In addition, a regenerative industrial design needs to be adopted nation-wide; such that the goods and services existing in an economy follow a circular path instead of a linear one which leads to goods being dumped into the environment irresponsibly.

By starting to alter current practices, behaviours and attitudes, the Pakistani economy can move towards adopting the Doughnut model and eventually being able to improve well-being in Pakistan and protecting the country's unique ecology.

Conclusion

This article explores the idea of Doughnut economics and how it can prove to be more feasible and encouraging for the Pakistani economy rather than the existing economic nexus of constantly being able to produce more goods and services. However, as with all new models, there are a lot of aspects of the Doughnut model that remain unanswered. For example, how do countries decide on what is their limit to pollute? Or how much biodiversity loss can they afford given their natural endowments? All of these questions are yet to be explored but this model in itself deserves a chance, particularly in Pakistan's dwindling state. It does, after all, recognise that the economy exists in an environment and by doing so it prioritises humanity and ecology; both of which are inherently and naturally compatible. This allows us to put more confidence into this completely new economic idea. Already, few cities such as Amsterdam (Amsterdam Circular 2020-2025) have adopted this model, which gives us encouragement to delve into this new era of economic thought and practice.

The author has no competing interests to declare.

References:

Akhtar, M., 2003. An Evaluation of Karachi Export Processing Zone: A Preliminary Investigation. *The Pakistan Development Review*, 42(4), pp.927-940.

Alvaredo, F., Atkinson, A., Piketty, T. and Saez, E., 2013. The Top 1 Percent in International and Historical Perspective. *Journal of Economic Perspectives*, 27(3), pp.3-20.

Asia Times. 2018. *PM Imran Khan's speech: priorities and guidelines*. [online] Available at: <<https://asiatimes.com/2018/08/pm-imran-khans-speech-priorities-and-guidelines/>> [Accessed 10 April 2021].

Asian Development Bank. 2021. *Poverty: Pakistan*. [online] Available at: <<https://www.adb.org/countries/pakistan/poverty>> [Accessed 10 April 2021].

Baudrillard, J., 1989. *The consumer society: Myths and structures*. London: SAGE Publications.

Davies, J., Sandström, S., Shorrocks, A. and Wolff, E., 2009. The Level and Distribution of Global Household Wealth.

EPI - Environmental Performance Index. 2021. *Pakistan*. [online] Available at: <<https://epi.yale.edu/epi-country-report/PAK>> [Accessed 10 April 2021].

IMF - International Monetary Fund. 2020. *Pakistan and the IMF*. [online] Available at: <<https://www.imf.org/en/Countries/PAK>> [Accessed 10 April 2021].

IQAir. 2020. *Pakistan Air Quality Index (AQI) and Air Pollution information: AirVisual*. [online] Available at: <<https://www.iqair.com/us/pakistan>> [Accessed 10 April 2021]

Kate Raworth | Exploring Doughnut Economics. 2021. *Doughnut | Kate Raworth*. [online] Available at: <<https://www.kateraworth.com/doughnut/>> [Accessed 10 April 2021].

Kennedy, E. and Krogman, N., 2008. Towards a sociology of consumerism. *International Journal of Sustainable Society*, 1(2), p.172.

Khan, M., 2019. Does macroeconomic instability cause environmental pollution? The case of Pakistan economy. *Environmental Science and Pollution Research International*, 26(14), pp.14649-14659

Mahmood, Q., Shaheen, S., Bilal, M., Tariq, M., Zeb, B., Ullah, Z. and Ali, A., 2019. Chemical pollutants from an industrial estate in Pakistan: a threat to environmental sustainability. *Applied Water Science*, 9(3).

Nazir, N. and Ahmad, S., 2016. Forest land conversion dynamics: a case of Pakistan. *Environment, Development and Sustainability*, 20(1), pp.389-405.

OECD - Observatory of Economic Complexity World. 2020. *Pakistan (PAK) Exports, Imports, and Trade Partners*. [online] Available at: <<https://oec.world/en/profile/country/pak/>> [Accessed 10 April 2021].

Raworth, K., 2017. *Doughnut economics: Seven ways to think like a 21st-century economist*. London: Random House Business Books.

Raworth, K., 2017. Why it's time for Doughnut Economics. *IPPR Progressive Review*, 24(3), pp.216-222.

Rockström, J., Steffen, W., Noone, K., Persson, Å, Chapin, F. S., Lambin, E. F., . . . Foley, J. A., 2009. A safe operating space for humanity. *Nature*, 461(7263), pp.472-475.

Shams, K., & Kadow, A., 2020. Income inequality, remittances and economic wellbeing in rural Pakistan: Linkages and empirical evidence. *Asia-Pacific Journal of Regional Science*, 4(2)

Stern, D. I., 2004. The Rise and Fall of the Environmental Kuznets Curve. *World Development*, 32(8), pp.1419-1439

Tamazian, A., Chousa, J. P., & Vadlamannati, K. C., 2009. Does higher economic and financial development lead to environmental degradation: Evidence from BRIC countries. *Energy Policy*, 37(1), pp.246-253

TedxTalks. 2014. *Why it's time for 'Doughnut Economics' | Kate Raworth | TEDxAthens* [Video file]. [online] Available at: <<https://www.youtube.com/watch?v=1BHOfIzXPjI>> [Accessed 10 April 2021]

Trading Economics. 2020. *Trading Economics |20 million indicators from 196 countries*. [online] Available at: <<https://tradingeconomics.com/>> [Accessed 10 April 2021].

WEF - World Economic Forum. 2017. *Meet the Doughnut: the new economic model that could help end inequality*. [online] Available at: <<https://www.weforum.org/agenda/2017/04/the-new-economic-model-that-could-end-inequality-doughnut/>> [Accessed 10 April 2021].

WID - World Inequality Database. 2021. *Pakistan - WID - World Inequality Database*. [online] Available at: <<https://wid.world/country/pakistan/>> [Accessed 10 April 2021].