

Dec. 3, 2021

# Earth calling: market systems are embedded in nature



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All blogs

**Given the environmental crisis that is engulfing us, incorporating environmental and social systems into the MSD approach is long overdue**

What can we learn in this respect from the 'Doughnut Economics' approach developed by Kate Raworth<sup>1</sup>?

## Social systems

Unlike our market systems doughnut, the Doughnut Economics concept does not put market transactions at its centre, but people and their needs, as expressed in the Sustainable Development Goals (SDGs)<sup>2</sup>. This is more than an iteration of the old basic needs approach. It includes food, water, housing, income and work. But also social equity, gender equality, networks, peace and justice, political voice and more. In Doughnut Economics, achieving these goals would be the social foundation of an equitable economy.

In this regard MSD is not doing badly. Social systems (which include for instance economic and political power relations, belief systems) are seldom explicitly included in our analysis and do not show up in the doughnut that guides the analysis. Yet, MSD interventions have increased incomes and created employment for the poor and otherwise excluded<sup>3</sup>. This contributes to one of the SDGs.

Increased incomes have resulted in more access to education and healthcare, and some programmes have demonstrated a direct contribution to gender equality, voice and stronger networks - also included among the SDGs. Explicit inclusion of

social systems in our analysis would probably further strengthen this impact, as indicated by the women's economic empowerment results of projects that conducted a gender analysis<sup>4</sup>.

## Nature

The natural environment does not seem to figure in our analytical framework at all, and consequently few projects have taken it into account<sup>5</sup>.

In this respect MSD risks making the same mistake as mainstream economists and the governments they advise. While these have finally realised that the biosphere is finite, economic growth is still their exclusive goal<sup>6</sup>. This model has led to the global environmental crisis. The exploitation of nature is such that according to the Global Footprint Network, humanity exhausted 2021's nature budget on 29 July, thanks largely to the developed nations<sup>7</sup>. Today the world is therefore operating in 'overshoot'. Technological innovation is expected to put things right, and definitely has a role to play, but the idea that it will save the planet while pursuing infinite growth is wishful thinking<sup>8</sup>.

Doughnut Economics offers an alternative. In addition to placing people and their needs at its centre, its doughnut also includes an ecological ceiling comprising nine 'planetary boundaries'<sup>9</sup>. Staying under this ceiling, while achieving the social foundation of the SDGs, provides the conditions for a just and regenerative economy. A space in which humanity can thrive. Beyond the boundaries lies 'unacceptable environmental degradation and possible tipping points in Earth's systems'.

Humanity has already far exceeded the planetary boundaries for climate change, biodiversity loss, land conversion, and nitrogen and phosphorus loading (caused by the use of chemical fertilisers). We are just over the boundary for ocean acidification. We are still in the safe zone, globally, for freshwater withdrawals and ozone layer depletion. Global control variables for air and chemical pollution have yet to be defined.

Raworth's book<sup>10</sup> became a global bestseller, but the economic policies and actions of national governments and development banks do not seem much affected. There was no mention, for instance, in the conclusions of Cop26 that rich countries should stop pursuing limitless economic growth. However, like many of the initiatives that address the environmental crisis, the Doughnut Economics perspective has been taken up increasingly by cities and towns and other local governments, especially in Europe and the Americas, with Africa and Asia expected to follow suit.

At those levels, pressure from citizens is more direct and action often more politically feasible. A range of tools has been developed by the Doughnut Economics

Action Lab to enable local governments, citizens and other stakeholders to identify ecological boundaries that are locally relevant and develop and implement actions to protect or regenerate the natural environment accordingly.

## Adapt our approach to include nature

Ditching MSD for Doughnut Economics is not what I am suggesting. Like MSD, Doughnut Economics is not a fixed model. It is a systems way of thinking about economic development to which economies' embeddedness in society and nature are central. We can learn from that.

The market systems we aim to improve and make more inclusive are embedded in social and natural systems that affect them, and are affected by them. There are limits to the ecosystem services - such as clean water and air, fertile soil, food, and temperature regulation - that market systems, and the people that inhabit them, can draw on. This should inform our approach from analysis to results measurement. It should be represented in our market systems diagram by a first encircling ring for social systems, and a second big fat green ring that includes the ecological boundaries for the natural environment (local or global).

In my view, this perspective should be adopted by all MSD programmes, not just those with environmental objectives. And for all interventions. And should be clearly defined in programme documents. We cannot continue to ignore that MSD investments may worsen rather than ameliorate the environmental crisis, with potentially grave consequences for our target groups and future generations.

This does not mean that our poverty reduction programmes in the 'Global South' should be saddled with contributing to solving problems largely caused by the rich developed world. It does mean identifying locally or nationally relevant ecological boundaries. We should consider whether the systemic changes we seek will bring economies closer to exceeding them, and if so, assessing whether the benefits outweigh the damage that will be done.

Such local boundaries are likely to concern polluted and drying up waterways and groundwater, air pollution and loss of forests rather than CO<sup>2</sup> emissions, to which Africa, for instance, contributes not even three per cent<sup>11</sup>.

It does also mean seeking opportunities to reduce impacts on these ecological boundaries. And to protect and regenerate the natural environment in which market systems are embedded, and on which humanity depends. If we don't, we are bound for irrelevance in the face of the great crisis that is unfolding.

<sup>1</sup> <https://doughnuteconomics.org/>, <https://www.kateraworth.com/doughnut/>

<sup>2</sup> <https://sdgs.un.org/goals>

- <sup>3</sup> For the BEAM Exchange’s latest roundup of the evidence see Luis E. Osorio-Cortes and Mike Albu, “The results achieved by programmes that use the market systems development (MSD) approach”, July 2021, <https://beamexchange.org/resources/1543/>
- <sup>4</sup> For instance the Alliances Lesser Caucasus Programme, <https://beamexchange.org/practice/programme-index/2/>
- <sup>5</sup> Isaac Cowan-Gore, “Market Systems Development and the Environment: A Strategic and Operational Guidance Note”, ILO the Lab, December 2020; <https://beamexchange.org/resources/1451/>
- <sup>6</sup> Dasgupta, P. (2021), The Economics of Biodiversity: The Dasgupta Review. Abridged Version. (London: HM Treasury), page 47
- <sup>7</sup> <https://www.footprintnetwork.org/our-work/earth-overshoot-day/> and Dasgupta, P, page 34
- <sup>8</sup> Dasgupta, P., page 46 to 48.
- <sup>9</sup> These were first defined by Johan Rockström et al. in “A safe operating space for humanity”, Nature, September 2009. <https://www.nature.com/articles/461472a>
- <sup>10</sup> Kate Raworth, “Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist”, Random House, 2017.
- <sup>11</sup> <https://www.energyforgrowth.org/blog/infographic-what-is-sub-saharan-africas-contribution-to-global-co2-emissions/>