

scarce. Why high-skilled workers need to work physically together and develop fruitful professional relationships over time is not explained convincingly, especially considering that it is such a foundational part of their argumentation. Also, this foundational argument about physical embeddedness pertains only to the *employees* of multinational enterprises. Much of the political and academic concern and criticism of global capitalism has been about taxation of profits, and the ability of firms to move it around to where taxes are lowest. Apart from a table on implicit tax rates on capital, this issue is not discussed at length. Iversen and Soskice's general optimism is contagious, although it doesn't always follow through. For example, their description of how a local entrepreneurial businessman, Frank Panduro, reversed the fortunes of a town outside the big-city economic hubs in Denmark through investment in culture and entertainment seems rather silly compared to the scope of the structural, geographical, and technological upheavals they are examining.

Throughout their analysis of the relationship between democracy and capitalism, Iversen and Soskice seem to tilt the balance towards capitalism. A stronger focus on the question of democracy would have been beneficial. The explanations of the development of capitalism are often impressive – for example, the detailed descriptions of the financial crisis and the rise and fall of Fordism. However, little attention is given to the more fundamental questions of democracy, including deliberation, trust, representation, information, manipulation, influence, and corruption. Voter information especially, which seems to be fundamental to the authors' argument about democratic pressures for policies that advance the knowledge economy, should have been discussed in more detail. For example, the authors assume that low-skilled workers are capable of understanding supply and demand and relating this

to government spending on training. Low-skilled workers would, according to the authors, be opposed to reducing training intensity and spending because it would increase the relative supply of low-skilled workers and thereby reduce their pay. The book does not rest on this peripheral argument, but it shows that the authors ascribe an enormous amount of knowledge, rationality, and analytical skill to voters, even low-skilled ones. It seems reasonable, as Iversen and Soskice argue, that voters vote for parties that exhibit proficiency in managing the economy (and being 'responsible'), but it seems unlikely that voters have specifically asked for financialisation through more advanced and complex financial products and for more product market competition, as is argued here. With this much faith in the information levels of voters, it seems odd that Iversen and Soskice would speculate that a 'lack of information' could be the reason for Martin Gilen's findings that when preferences differ, those with high income and education get their way far more often than those with middle and low income. All in all, *Democracy and Prosperity* presents a compelling and thought-provoking argument in the ongoing debate about the current state of democracy and capitalism and where we are heading.

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**Kate Raworth: *Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist***

London 2018: Random House Business Books, 384 pp.

In this book Kate Raworth takes her own discipline to court. Her ruling: economics is severely flawed. Raworth presents evidence stretching from the time of the field's

emergence as a separate scientific discipline through to its failure to handle big challenges like the Great Recession and climate change. To support this, she relies on pioneering approaches to sustainability and more recent and ground-breaking research on human behaviour. The core of Raworth's argument evolves around the images that lie at the very heart of economics, such as the crossing of the supply and demand curves, the circular flow diagram, or the Kuznets curve. If we want to change economics, we need to replace these faulty diagrams with better ones. We need them not only to describe the world we live in more accurately, but also to help us think about where we want to go from here. At the centre of all this lies her vision: a doughnut-shaped space in which humanity can thrive. Raworth posits that it is possible for all of humanity to avoid both severe human deprivation (the lower boundary) and ecological breakdown (the upper boundary). In seven chapters, she takes on seven images of economics and proposes alternatives that are supposed to help us find a better balance, avoiding both shortfall and overshoot (see the doughnut model, pp. 44 and 51).

In the prologue, Raworth argues that it will be hard to replace the typical models of economics, as their simple graphics have become engrained in our brains over the past seventy years – and some of them even longer. There is a key advantage to presenting the first model of something: the initial framing of an issue has a great influence on how we think about it. Raworth explains how economics was heavily influenced by physics in the making of its theoretical foundations and shows how this proved to be rather counterproductive: the founding fathers of modern economics – inspired by Newton – left us with models that are far too simple for a complex world.

The first chapter deals with the goal of economic endeavour. Raworth argues that we make a mistake by focusing mainly

on GDP. The measure has moved from being a means to an end, that of human well-being, to becoming the actual aim in itself. How has this happened? According to Raworth, the problem lies at the very core of economics, which started out as an endeavour with important goals and later on donned the coat of objectivity, describing the laws of nature. Among these laws is the concept of utility and the simple assumption that people will have ever-expanding wants and, therefore, will aim to improve their utility eternally. This assumption drives the belief that GDP will (need to) increase continuously. Raworth offers an alternative goal and aims for a 'safe and just space for humanity' (p. 44) that lies between social foundations and an ecological ceiling. The former consists of the different measures that relate to issues, for example, of education, housing, income, and health. The latter, on the other hand, is defined by the natural limits to our survival on the planet, such as climate change, but also freshwater withdrawals, ocean acidification, air pollution, and the loss of forest lands.

In the second chapter, Raworth argues that the bigger picture of the economy – the circular flow model – overlooks the boundaries that the earth sets us. Given that we now live in a 'full world' (pp. 74–75) – a reference to Daly – she claims that we can no longer ignore these boundaries. In place of the circular flow model, Raworth proposes an embedded economy. Society and the economy are composed of households, the market, the state, and the commons. All this is embedded in the system of our earth, which provides living materials and matter and receives waste matter and heat. The whole system is powered by energy from the sun and some of the heat is re-emitted into space.

In the third chapter, Raworth draws on scientific evidence from the works of Samuel Bowles and Herbert Gintis and others, showing that human behaviour diverges

from the equilibrium that classic game theory would predict and that the level of cooperation and altruism in fact differs across different societies. She sets this evidence opposite to the thought experiments by early economic thinkers and argues that the simple image of *homo economicus* should be replaced with a multifaceted socially adapting person. That *homo economicus* would have problems even making all his decisions in a perfectly rational way becomes clearer when Raworth presents readers with the findings from early behavioural economics that rationality in humans is bounded. We are not able to do all the calculations but rather rely on estimates and biases.

In chapter four, Raworth criticises the common approach of economics for its focus on equilibrium. The processes described in the old model would too much resemble those of Newtonian mechanics. Promoting the image of dynamic complexity, Raworth argues that a model that includes feedback loops and incorporates dynamism by design would be a better fit. With this image in mind, economists would be better equipped to understand the world. She refers to Donella Meadows when she argues that effective systems tend to be characterised by a 'healthy hierarchy, self-organisation, and resilience' (p. 159). Chapter five revolves around the Kuznets curve and the assumption that is attached to it: when economies grow, inequality will first increase and then decrease again. Inequality is therefore often seen as an inevitable temporary step on the way to higher prosperity. Raworth shows that this model is flawed and argues that it should instead be replaced by an economy that is 'redistributive by design' (p. 163). Chapter six then strikes a similar tone, while focusing on the effect of growth on pollution and climate change. Raworth argues that not only is the belief that higher levels of income per capita will eventually lead to a smaller impact on the climate and on pol-

lution unjustified. We can also not afford to let all societies go through that supposedly natural pathway if we want to avoid catastrophic climate change. To avoid this, we would need to design an economy that is 'regenerative by design' (p. 206).

In the final chapter, Raworth argues that economists and policymakers should not simply forget about growth, and that rather 'we need an economy that makes us thrive, whether or not it grows' (p. 268). For this to happen, she states, we have to unlearn our addiction to growth on an individual, political, and systemic level. She closes with an epilogue containing encouraging words for her readers and a small summary of what the book sets out to achieve.

Raworth set out with the task to throw out the old imagery of economics and replace it with new models that can help humankind to attain well-being for all, while at the same time respecting the ecological ceiling. And in many ways she succeeds at this endeavour. Raworth approaches this by standing on the shoulders of giants and presenting the most relevant and current scientific literature from recent decades that has been adding value to the field of economics and science in general. In this way she delivers an excellent literature review. But is there more? Going further than other critics of our addiction to growth – such as Tim Jackson [2009] – she revisits the beginnings of the discipline and shows what went wrong with economics in the first place. And with her various approaches to the problem, and the focus on the popular images of economics, Raworth manages to connect the dots between the roots of the problem, scientific evidence, and our current challenges.

There are, however, some smaller inconsistencies and flaws in Raworth's work. These range from double standards to self-contradictory statements, and some arguments that leave the reader easily confused. We will start with her critique of

the word 'externalities'. Raworth remarks accurately that the wording, and therefore the framing, of a concept or effect can have a strong effect on how we perceive and what we deem the right approach. In reference to Daly, she then posits that the term 'externalities' is problematic in itself, as it understates the importance of the processes. Some might disagree with her here and argue that it is easy to take externalities into the equation and redirect their consequences back to their source, without coming up with a new term for them. But even if one does agree to stay on board this far, her alternative proposal, the substitute she finds, will probably disappoint. Without going into much detail, she proposes the word 'effect' and leaves us to wonder what the difference is. Will we magically be able to find political majorities for strict and effective environmental protection legislation that follow the polluter-pays principle simply because we changed the framing?

Furthermore, Raworth argues that humans find it hard to understand the dynamics of stock and flow. The bathtub model for the accumulation of CO<sub>2</sub> shows us that if we are emitting more than the earth's systems can take out of the atmosphere, the most urgent action is to reduce our emissions below that level, as only this can stop the tub from overflowing. This model is clearly very useful in explaining a complex situation. Her belief, however, that a device like this is needed to convince other economists and policymakers of the goal of reducing emissions seems unconvincing. While politicians with a career in the natural sciences – like Angela Merkel – are definitely in the minority, it does not stand to reason why other top-level decision makers would struggle with the concept. In fact, Raworth does not deliver any evidence to show that this misunderstanding stands in the way of effective climate action. While world leaders are clearly not taking enough action against climate

change, the emission goals that have been set so far – from Kyoto to Paris – all speak about reducing emissions and not keeping them at a stable level. The answer therefore cannot be that we simply do not understand the problem well enough.

Lastly, the reader can get the impression that Raworth is applying double standards. In chapter four, she argues that neo-liberal policy advisers often employ the maxi-max rule that only considers the best outcome of each alternative option. This is clearly a valid concern for policymakers and -advisers and especially for the field of economics, with the big influence it has in the political realm. It also relates to the problem of partial implementation. Wolff [2019] points out that not following a policy path to the end can have worse consequences than doing nothing. Policy advisers should therefore consider what happens when their proposed policy stops half the way.

A problem arises, however, when Raworth proposes policies on her own. While she criticises, for example, cap and trade policies for being ineffective because of the strong industrial lobby, she argues for policy proposals that will most likely face even more opposition. Furthermore, most of her policy proposals are not accompanied by any caveats and remarks on how much these depend on specific circumstances or a specific policy environment. Because of this, unfortunately, some parts of the book read more as the *who is who* of cool new policy proposals than as a helpful policy guide.

To conclude, *Doughnut Economics* has great value in that it shows us where we have gone wrong so far, but it struggles somewhat to present a compelling case for how we can reach a better place. In that sense, she suffers from the same disease that greater thinkers have – think of Marx, Keynes, and Piketty – whose analysis is spot on but whose policy advice appears weak in comparison. That being said, Raw-

orth's book belongs on the reading list of all of us. We can all benefit from her insights, and then form our own opinions on how to use them.

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#### **John Boughton: *Municipal Dreams: The Rise and Fall of Council Housing***

London 2019: Verso, 336 pp.

In this book, John Boughton provides a deep and thoughtful account of the story of council and social housing in the UK from its foundations up to today. The author traces the steps and phases that marked first the triumph and, later, the surrender of the political idea of council housing over the course of more than a century. The book is extremely rich in detail and Boughton uses an engaging style that keeps the reader fully captivated. However, Boughton does not just want to tell a story. He wants to act as a bridge between the past and the future of council housing and use the story he tells to acknowledge and justify the claim of the current need for a renewed *utopia* for council housing. He is convinced that the state should take up again a major role in the development of council housing, as it did in the first council development projects. More importantly, he supports the need for the kind of idealism that was initially at the core of the council housing dream. We believe that the pages of his book do not fully represent this idealistic claim. The focus seems to be more on highlighting mistakes

committed in the past than on providing good and compelling strategies for the future. Nonetheless, there is much that should be learnt. If such key learnings from the past of council housing were more clearly brought to light and openly discussed, we would argue they could really play a crucial role in helping shape a better (and more ambitious) vision for the future of council housing.

The book can be divided into three separate and overarching parts: the dawn of council housing (late 1800s up to the Second World War), the reconstruction after the Second World War, and the dismantling of the council housing principle itself from Thatcher up to the recent Grenfell Tower tragedy. Each of these periods is described with its own historical context, ruling government parties, and urban policies. Accordingly, Boughton guides us through the changing vision and objective behind the development of council housing. From the late 1800s until the middle of the 20th century, council housing emerged as a concrete effort to get people out of overcrowded and unhygienic Victorian slums. Housing increasingly became a political priority, in accordance with the need to provide the British with what they increasingly believed was right, good, and better housing to all, and to limit social discontent. It was the years between 1945 and the late 1970s that marked the real and massive expansion of council housing. The end of the Second World War, naturally, sparked a significant wave of reconstruction since people of all kinds and social classes needed homes. Politicians had the duty to provide them as cost-effectively as possible, and therefore, during this period, modernism (and its nasty derivations) overtook tradition. Tower and high-rise blocks replaced the old-style English maisonette and new building technologies supplanted the mainly craftsman methods of the past. A third and different phase then arose with the nefarious advent of