

Why it's Time to Vandalize the Economic Textbooks

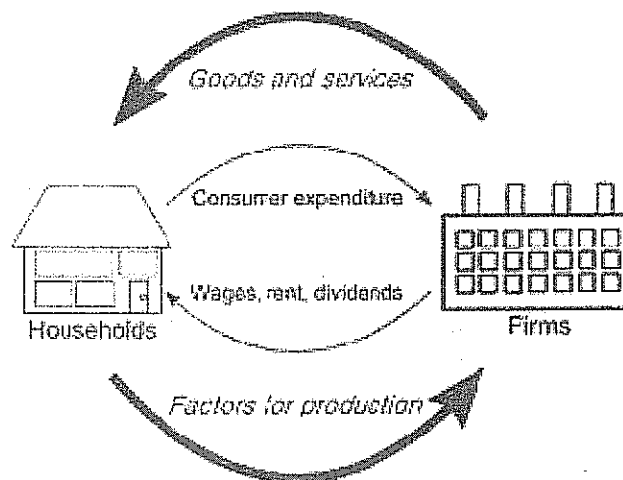
By Kate Raworth
Senior Researcher for Oxfam

Get ready to join the world's first guerrilla campaign to rewrite economics. The only weapon you need is a pencil...here's why.

When I studied economics at university twenty years ago, the concept of The Circular Flow of Money and Goods was the gateway to understanding macroeconomics – and it still is. It shows how households provide labour to firms, in return for wages, and then use their income to buy the stuff that firms make.

The money flows round and round and so do the resources. When the arrows are going round and round like that, the only question to ask seems to be, how can you make those arrows get bigger? And from there on out, the aim of the game is GDP growth. Very simple. (And if you think it's so simple that I'm making it up, go open an economics textbook – hey presto, there it is).

The circular flow of money and goods

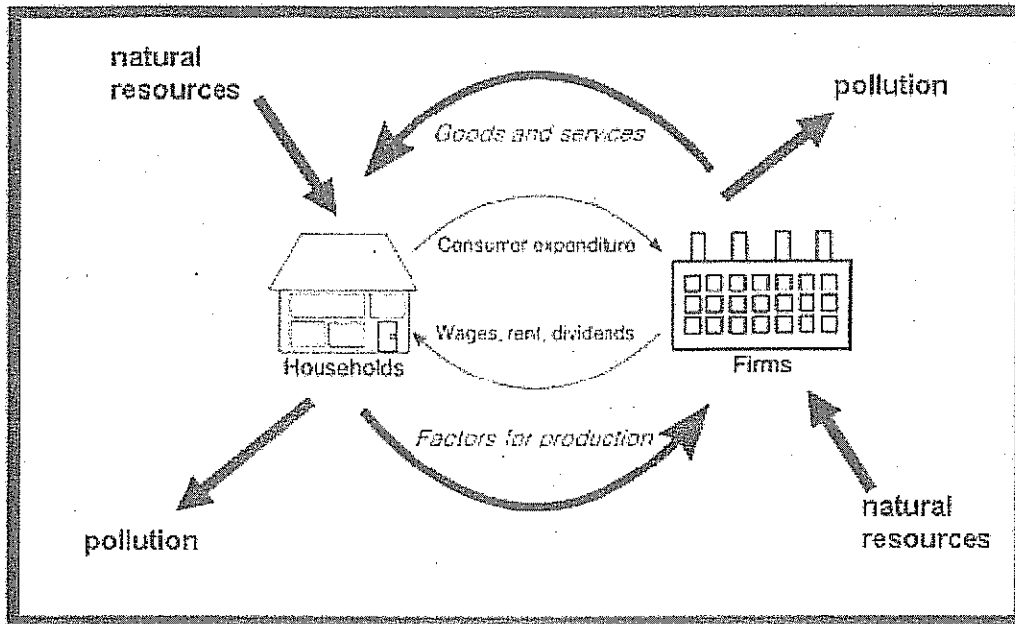


It's such a deceptively simple model of the economy that it quietly inserts itself into the back of the head of every economics student – so quietly that you don't even realize it is there. But it is there, and that's a problem because it's a deeply flawed view of the economy we actually live with. By focusing only on resource flows that are monetized, it misses much that matters in our lives. In fact it misses the big picture three times over.

1. It's not free floating

First, the economy does not float freely against a white background. It is embedded within the planet's environment, drawing on its natural resources and dumping pollutants back out into it. Mention that and an economist will say – ah yes, environmental externalities, we'll come to those later. But calling nature's resources 'externalities' and leaving them till later has led us to this crisis of climate change. How can it make sense to treat the fundamental resource on which all life depends as a factor external to the system? We have to draw a box around the economy and label it The Environment (a point that Herman Daly made some decades ago).

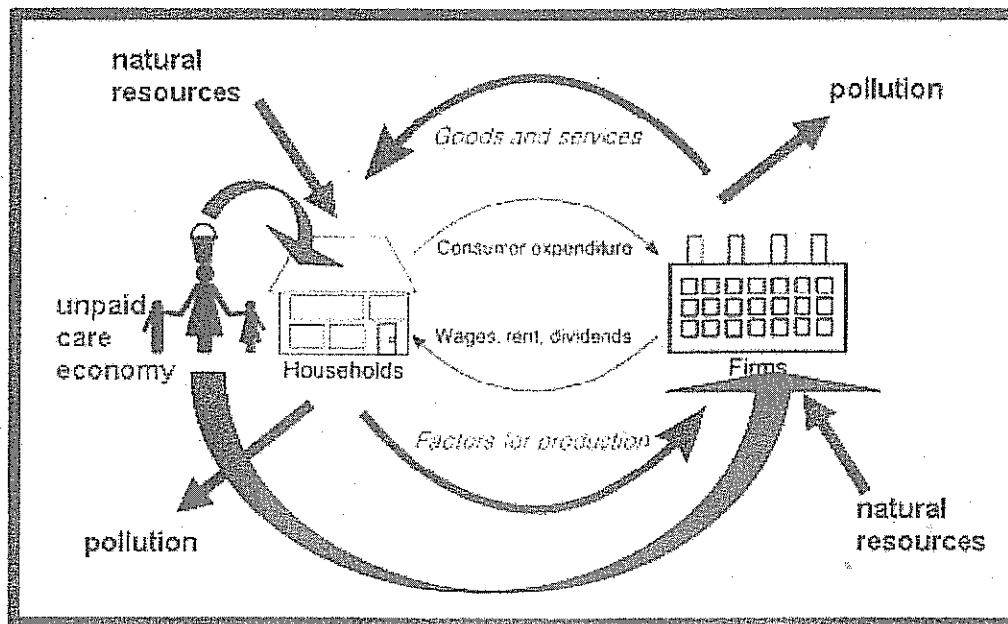
Oops it's not really circular



2. It's not all in the money

Second, the monetized economy is heavily supported by the unpaid care economy: the services provided by parents and carers (usually women) in raising children, getting the sick back to work, and caring for the elderly. In many low-income countries, that unpaid caring work also includes providing the family's water, firewood, and food every day – in other words, providing the most essential goods and services for well-being. And it's all outside the monetized economy. If we ignore it, we ignore many of life's most valued goods and services, and misunderstand the working lives of many of the world's women. So the unpaid care economy has to be drawn in.

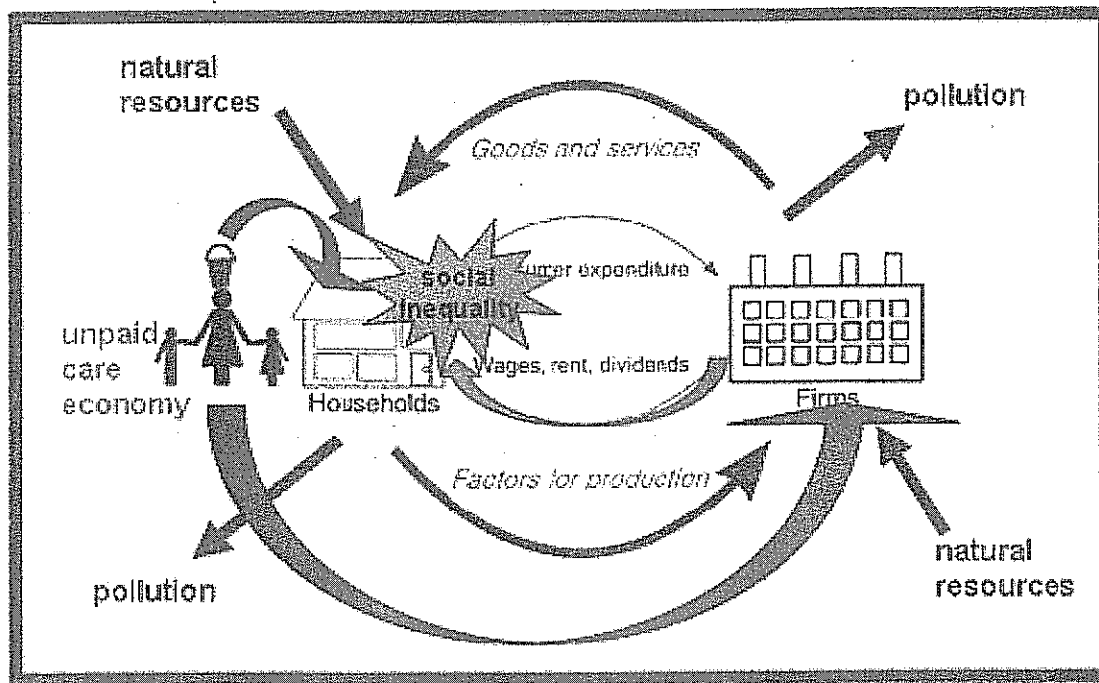
Oh, it's not always monetized



3. It's the inequality, stupid

Thirdly, firms pay wages, rent and dividends to households, yes. But thanks to the kind of capitalism that most governments have been constructing, many people get low wages while a few get high rents and dividends. And, as the worldwide Occupy movement has made clear, that matters. Social inequality has been opening up at the heart of economies and needs to be brought to the fore. So it's time to draw it in.

Hmm. It's often unequal



Now imagine if this was the diagram that economics students encountered on Day One. For starters, it opens up so many more interesting questions. How big should the economy be in relation to the environment? How can policies in the paid economy best support the services that the unpaid economy provides? What could reverse the increase in social inequality? And – going for the really big picture – let go of 'growth' for a moment: what would economic development look like from this perspective?

I think economics students deserve this more realistic starting point – and the world deserves economists who have a more realistic model like this inserted into the backs of their heads. It would certainly give us a far better chance of living between the social and planetary boundaries of the doughnut.

So here's a guerrilla campaign to make it happen. Anyone can do it because all you need is a pencil. Here's the plan (umm, I have to say at this point, this is not Oxfam Policy...). Sneak into the bookshops, the libraries and classrooms, and into the office of every economics professor you know. Get out the macroeconomic textbooks and find that diagram. Take your pencil. Now draw in the environment. Draw in the unpaid care economy. Draw in social inequality.

With these few strokes, we could stick a great big spanner in the wheel of mainstream economic thinking. We'd save the next generation of economics students from having the wrong model of the world stuck in the back of their heads. And that would help save us all from another era of economic policymakers who unknowingly have the wrong model of the economy shaping their decisions.

I made a pitch for vandalizing economics textbooks like this at IIED's Fair Ideas conference at Rio+20 in June.

So it's time for a guerrilla campaign – and I propose these three pen strokes to launch it. **Got any suggestions for more?**