



FLYWHEEL ECONOMICS
ECONOMIES AS ECOSYSTEMS

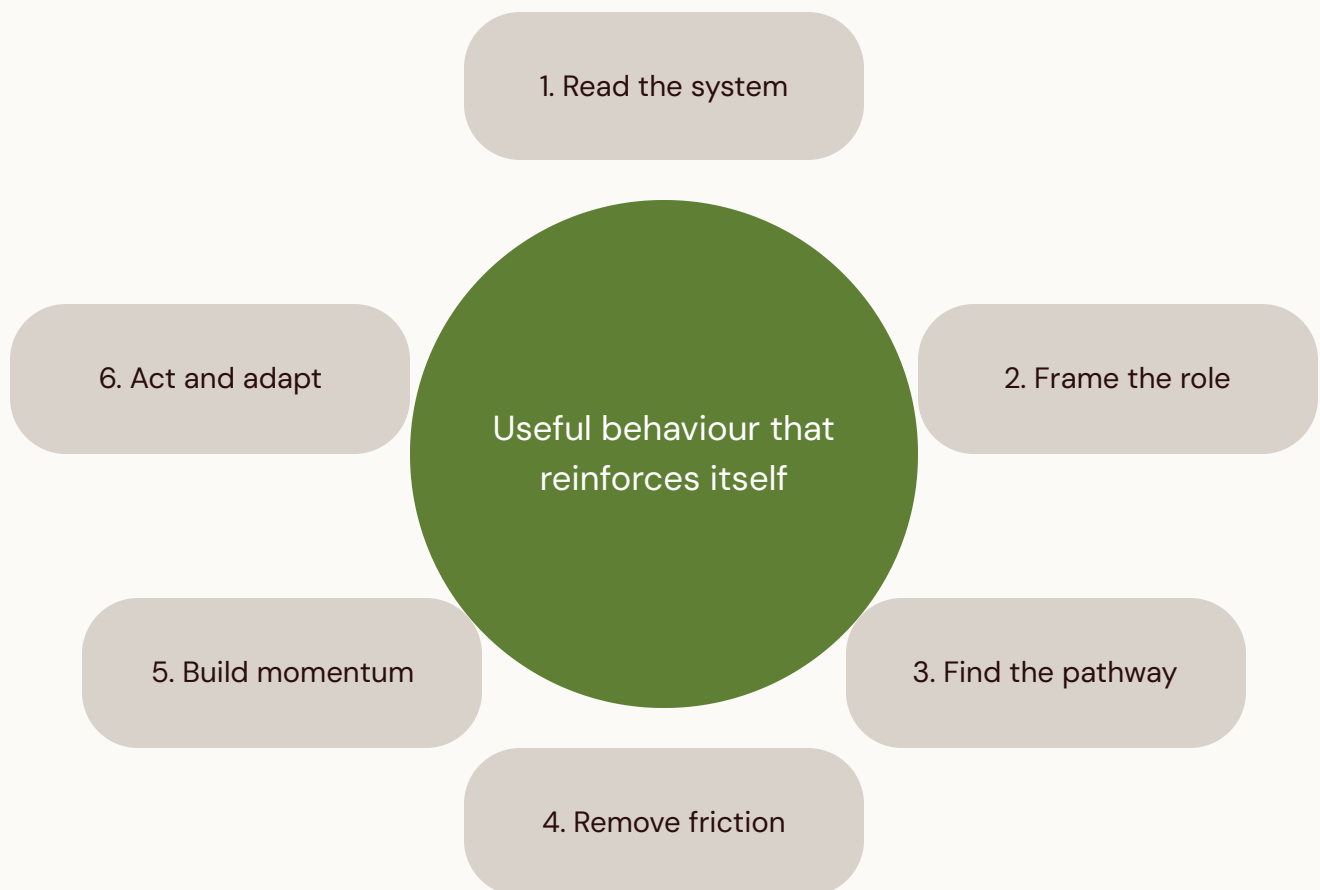


FLYWHEEL ECONOMICS TOOLKIT

Launch Event Edition | October 2026

Flywheel Economics Toolkit

A practical method for finding and enabling self-reinforcing economic flywheels that sustain prosperity



Flywheel Economics: Core Principles

The Core Idea: The ecosystem is the context. The flywheel is the productive dynamic we are hunting for within it.

Flywheel Economics is a practical method for hunting for and enabling economic flywheels: self-reinforcing patterns of productive behaviour in which one useful response creates more of the demand, capability, finance, trust or confidence needed for the next. The objective is not simply to deliver an intervention or even a first result. It is to create conditions inside the economic ecosystem so that prosperity can keep compounding long after exceptional public or donor support recedes.

The Two Metaphors

The Garden

Economies are living, adaptive and place-specific. Read the soil, roots, relationships, power and constraints before choosing the tool.

The Flywheel

One productive response creates more demand, capability, finance, trust or information for the next. Each turn makes another more likely.

Walk the Garden Before Choosing the Tool

Economic outcomes emerge from decisions made by firms, workers, households, investors and institutions. Policy changes the conditions in which they act; it rarely controls their response. A fund, factory, training course or new rule can be delivered successfully while the underlying economic problem remains. The toolkit therefore begins with observation, incentives and a working explanation that can be challenged by evidence.

Tend the Conditions; Do Not Become the Garden

The relevant question is what the system needs from public authority. Government may remove an obstruction, protect rights, enforce a standard, provide a shared foundation, coordinate actors or share a bounded discovery risk. Direct provision may be appropriate where the function requires it. The discipline is to choose the smallest sufficient role, compare alternatives and anticipate effects on access, competition, power and public finances.

Choose What to Nurture, Plant or Reactivate

Nurture an activity that is already moving; plant where demand, adjacent capabilities and a bounded learning path make a new activity redible; reactivate surviving capabilities that can serve a current opportunity. Diagnose a particular relationship or exchange, rather than labelling an entire sector. Where the evidence is too weak, "not yet" is a legitimate decision. The pathway remains provisional as the system changes.

Weed What Is Stopping the Next Turn

Visible symptoms do not prescribe an intervention. Test whether the suspected blockage is binding through observed choices, workarounds, comparisons and a credible counterfactual. Then name the function that must improve and distinguish who performs it, who pays and who governs it. Some burdens are necessary safeguards; improving administration can be more appropriate than removing protection.

Design for the Second Turn, Not Just the Launch

A first response provides proof of a diagnosis. Momentum requires something more: that response must help create the demand, capability, finance, trust or information needed for another cycle. Map the reinforcing loop, explain each link and identify what could break it. Temporary support should help durable capability develop, with an explicit account of what actors will eventually undertake themselves and which public responsibilities should continue.

The Six-Stage Flywheel Hunt

1 Read the Ecosystem

Ecosystem map and candidate flywheel hypothesis.

2 Choose the Gardener's Role

Public rationale, boundary and catalytic response.

3 Choose What to Nurture, Plant or Reactivate

Pathway judgement, first proof and next-turn hypothesis.

4 Weed the Binding Friction

Binding friction, function allocation and actor response.

5 Grow the Flywheel

Reinforcing loop, independent commitment, resilience and exit.

6 Spot, Back and Adapt the Flywheel

Flywheel Policy Note, Sceptic's Challenge and 90-Day Action Plan.

Look for Roots, Not Just Activity

Independent commitment is a central signal of momentum: repeat purchases, reinvestment, entry without individual inducement, suppliers developing specialisms and actors paying for recurring coordination. Verify who bears the cost and risk. Programme attendance, announced investment and letters of support are useful records, but do not establish that the next cycle will finance itself. Continue to measure the public outcomes and distribution of benefits.

Test What Would Survive Your Departure

The three-year walk-away test asks what would still happen if exceptional support ended, who would carry each function and why. It is a test of dependence rather than a universal withdrawal deadline. Normal public goods, oversight and justified equity support may remain. Resilience also requires attention to concentrated buyers, providers, finance and leadership, and to the system's ability to adapt after a setback.

Keep the Decision Open to Evidence

Agree review dates, leading indicators and conditions for continuing, adapting, transferring, stepping back or stopping. Trace harmful reinforcing effects alongside the desired loop. A larger activity is not necessarily a healthier system, and a plateau may reveal either a new friction or a sensible market boundary. The final policy judgement should make the remaining uncertainty and the next evidence-gathering action explicit.



Read the Ecosystem

Walk the garden before you prescribe

The Flywheel Hunt: Look for relationships in which one productive choice could make another more likely. You are locating where a flywheel may already be trying to form, not yet choosing an intervention.

The Architect's Trap

Government can announce a target, fund a facility or write a rule. It cannot command thousands of sustainable private decisions into existence. Economic outcomes emerge from actors responding to incentives, constraints, expectations and uncertainty.

The Toothpick Problem

Nigeria offers a vivid example. In 2015 the Central Bank of Nigeria restricted access to official foreign exchange for 41 categories of imports, including toothpicks. The stated objectives included conserving foreign exchange, encouraging local production and supporting employment. Toothpicks became a memorable symbol because the intuition sounds compelling: Nigeria has wood; toothpicks are simple products; why should the country spend scarce foreign exchange importing them? But that question can mislead if it becomes the whole diagnosis. A foreign-exchange restriction does not tell us why local manufacturing is uncompetitive in the first place. It does not solve unreliable power, logistics costs, weak supplier networks, financing constraints, unpredictable regulation or the difficulty of achieving scale. And it does not ask whether toothpicks are the highest-value opportunity competing for scarce policy attention. The policy can push activity in a chosen direction while leaving the deeper system unchanged.

The Central Bank later lifted the restrictions in 2023, noting that they had pushed importers towards the parallel foreign-exchange market and contributed to excess demand there. That does not settle every debate about import substitution. It does illustrate the Flywheel point: when actors can adapt, the response to a policy is part of the policy outcome.

Simple Test: If the instrument succeeds only when people behave exactly as the designer expects, it is probably too brittle for a real economy.

Read Real Behaviour, Not Only Formal Structures

- Follow goods, money, information, approvals, risk, trust and influence.
- Look at workarounds: they reveal both demand and hidden costs.
- Ask what actors are trying to achieve, protect or avoid.
- Include small firms, informal actors, workers, users and prospective entrants.
- Map who gains, who loses, who can block and who can form a coalition for change.

The Output

System Hypothesis: We think [behaviour] is happening because [incentives, capabilities, rules and power]. A candidate flywheel may exist where [response A] makes [response B] more likely. We would change our mind if [evidence].

Quick Tool: Ecosystem and Flywheel First-Look

Use with people who see different parts of the system

1

Live Question: What decision, place, activity or value chain is in scope?

2

Actors: Who produces, buys, works, supplies, finances, regulates, influences and uses? Who is missing?

3

Flows: What goods, money, information, approvals, risk, trust or influence move between them?

4

Capability: What skills, assets, networks, technologies and institutions already exist and who can access them?

5

Behaviour: What are actors trying to achieve, protect or avoid? What repeated behaviour supports that view?

6

Rules and Power: Which written and unwritten rules matter? Who benefits, pays, blocks or redirects change?

7

Candidate Flywheel: Where might one productive response already make another more likely?

8

Evidence Gap: What is the strongest alternative explanation? What would change your mind?

Carry Forward: Do not leave this page with a sector label. Leave with a specific relationship or exchange that may become self-reinforcing.



Choose the Gardener's Role

Tend the conditions without becoming the permanent motor

The Role Question: What does this system need from public authority, why is government the right actor for that function, and what should happen next if the intervention works?

Choose the Gardener's Role: The Smallest Sufficient Role

Name the Fruit Before You Choose the Tool

Begin with the public outcome: reliable power, safer food, useful skills, lower logistics costs not with a preferred instrument such as privatisation, subsidy, protection or a new agency.

Use the Smallest Sufficient Role

Public Role	Flywheel Discipline
Set Rules	Protect rights, safety, competition and system integrity.
Inform and Build Trust	Close information gaps through data, disclosure or certification.
Coordinate	Solve collective-action problems without owning the relationship forever.
Provide or Finance Foundations	Supply public goods and shared infrastructure.
Correct Incentives / Catalyse Discovery	Target a clear failure and crowd in independent commitment.
Provide Directly	Use when public authority is inherently required or alternatives cannot credibly deliver.

Catalysis Is Leverage, Not Smallness

A catalytic intervention causes other actors to do more with their own resources, relationships and judgement. It might remove a barrier, provide a shared standard, absorb a one-off discovery cost, connect actors who cannot coordinate alone, or reduce an early risk that no single firm has an incentive to bear.

The test is what happens next. If public action leads firms to invest, workers to acquire skills, lenders to enter, suppliers to form or institutions to take over a function, the intervention may be catalytic. If every transaction still requires a grant, concession or instruction from government, the intervention is delivered and may be creating dependency even if the budget line is small.

Catalysis Test

Ask: What will other actors do with their own money, time, capability or relationships because of this intervention and what useful next response should that make more likely?

Choose What to Nurture, Plant or Reactivate

Find where the flywheel might come from

Classify the Dynamic, Not the Sector

A sector can contain active, absent and latent dynamics at the same time. Diagnose the specific function, exchange or reinforcing relationship that matters.

Pathway	What You Are Seeing	Gardener Question
Nurture	Actors already invest, transact, adapt or attract others with their own resources.	What is already growing, and what would help it deepen or spread?
Plant	A useful capability or relationship is genuinely missing, but demand and adjacent capability make discovery credible.	What new seed is worth testing in this soil?
Reactivate	Useful assets, skills, institutions or relationships remain, but exchange and investment are dormant or disconnected.	Which roots are still alive, and what new growth can they support?
Not Yet	Demand, capability or private risk-bearing is too weak for a credible pathway.	What foundations should be strengthened while we keep observing?

Illustration: One Electric-Mobility System, Several Possible Pathways

Pakistan's New Energy Vehicles Policy 2025-30 is useful precisely because it exposes several different ecosystem functions. The policy targets a large increase in electric-vehicle adoption and a nationwide charging network. Government has also been exploring localisation and battery manufacturing. Those are related ambitions, but they are not automatically the same pathway.

Four Common Mistakes

- Busy is not always active: subsidy or one buyer may be carrying the activity.
- Invisible is not absent: informal or digital activity may sit outside official data.
- Old is not automatically latent: historical assets may be obsolete.
- Attractive is not automatically plantable: fashion is not evidence of seed–soil fit.

Proof Test: What small independent response should appear first if the pathway is right? If it appears, what useful next response should become more likely?



Weed the Binding Friction

Remove what is preventing the next turn, not every problem in sight

The Binding Question: If this friction disappeared tomorrow, what would credible actors do differently with their own money, time, assets or relationships?

Symptom Is Not Diagnosis

Low investment, weak skills or an under-used facility are visible outcomes. They do not tell you whether the cause is finance, demand, infrastructure, trust, rules, coordination, capability or political incentives.

The Cold-Store Problem

Imagine that small food processors are not investing in cold storage. Finance may appear to be the problem, so government offers subsidised loans. But processors may be holding back because electricity is unreliable, volumes are uncertain, standards are inconsistently enforced, or buyers will not commit to contracts. Cheaper credit could finance equipment that is expensive to run or rarely used.

Finance is binding only if changing finance changes the investment decision. The practical question is not, "Is finance expensive?" It is, "If suitable finance became available tomorrow, would capable processors invest, operate the equipment and sustain the cost with their own commercial revenues?"

Weed or Fence?

Not every burden should be removed. Food-safety, environmental, prudential and labour rules can be protective fences. Preserve the public purpose while reducing avoidable delay, discretion or duplication.

Remember: An economy can have ten real problems and one binding one. A list of constraints is not yet a diagnosis.

Test Whether It Really Binds

1 Look for Costly Workarounds

Self-provision, informal brokers, private training or unofficial payments reveal that the missing function matters.

2 Compare Actors, Places and Time

Do similar actors behave differently where the suspected friction is weaker?

3 Check the Size of the Wedge

Would relief change cost, risk, return or feasibility enough to alter the decision?

4 Make the Counterfactual Concrete

Name who should invest, hire, enter, export, train or reconnect and what they will commit.

5 Test the Strongest Alternative

Ask what else could produce the same behaviour, and who may already be excluded from the evidence.

From Friction to Function

Restore what must work without automatically taking it over

Separate Four Questions

1

Friction: What condition is preventing action?

2

Function: What must work better: verification, coordination, information, infrastructure, finance, enforcement or something else?

3

Provider: Who is best placed to perform the function?

4

Instrument: What, if anything, should government remove, regulate, finance, coordinate or provide?

A Warning from Nigeria's Fertiliser Market

Nigeria offers a useful historical warning about substituting for a market function. A 2007 World Bank review described the Fertilizer Market Stabilization Program as distortionary and poorly coordinated. Subsidised fertiliser was reported to have disproportionately reached larger, politically connected farmers, while public distribution weakened incentives for private suppliers to invest in procurement and distribution. When the programme was scaled back, a strong private distribution system had not yet emerged to fill the gap.

A later World Bank analysis of a different Nigerian fertiliser subsidy reform found another version of the same diagnostic problem: greater subsidy increased fertiliser use and yields, but the increase in inputs was larger than the productivity gain and technical efficiency fell. The lesson is not that fertiliser support can never be justified. It is that an input subsidy cannot substitute for the complementary knowledge, technology, logistics, output markets and incentives that determine whether the input is used productively.

Allocate Performance, Payment and Governance

- Who can perform the function reliably and adapt it as needs change?
- Who benefits, who can contribute and what is a public obligation?
- Who protects access, quality, competition and accountability?

From Friction to Function: The Intervention Ladder

Climb the Intervention Ladder Slowly

1 Stop Causing the Problem

Repeal, simplify, align or administer better.

2 Make Information or Enforcement Work

Clarify rights, certify, disclose, standardise.

3 Coordinate

Create interoperability, common rules, schedules or one-off connections.

4 Provide or Finance a Shared Foundation

Infrastructure, public data, testing, justice or research.

5 Catalyse Temporarily

Co-finance, guarantee, procure or share a bounded discovery risk.

6 Provide Directly

Use only where the public purpose genuinely requires it.

Subsidy Test: Is this fertiliser that helps roots develop or life support? Name the friction, independent response, capability that remains and graduation condition.



Grow a Flywheel That Outlasts You

Design for the second turn, not just the launch

The Decisive Test: You are no longer asking whether the intervention worked once. You are asking whether the ecosystem is learning to generate its own next cycle and whether those cycles are producing durable prosperity.

Proof Is Not Yet Momentum

A first response tests the diagnosis. Momentum exists only when that response helps generate another. A busy programme and a growing market can look similar in a dashboard while requiring very different decisions.

A hundred hires may show that a particular training offer met an employer need. They do not establish that those employers will finance another cohort, that workers will choose these skills, or that another provider will enter because it sees paying demand. The first response tests the diagnosis. Momentum concerns the relationship between that response and the next.

Imagine that studios hire a first cohort of trained animators. That is useful evidence. But if every subsequent cohort needs the same grant, the same recruitment drive and the same official persuading employers to participate, the system has not yet acquired momentum. We have learned how to deliver a training programme. We still need to discover whether a skills market is taking root.

ILLUSTRATIVE ANIMATION SKILLS LOOP



Each arrow needs an actor, an incentive and evidence

Give Every Arrow a Reason

- Name the actor carrying the link.
- Explain the incentive and mechanism.
- Mark the link as observed, plausible but untested, or broken.
- Set a realistic lag, evidence source and review date.
- Identify the weakest link and the main brake on further growth.

Flywheel Hypothesis: If [bounded action] unlocks [response A], it should make [response B] more likely, strengthening [capability / demand / finance / trust] and enabling another cycle of [response A].

Test the Roots: Resilience and Exit

Look for independent commitment beneath the headline

Leading Signals of Momentum

Signal	What to Observe
Repeat Demand	Customers reorder and pay after introductory support ends.
Reinvestment	Firms finance improvements or the next cycle from their own resources.
Independent Entry	New providers or firms enter without individual inducement.
Specialisation	Suppliers build capabilities for several paying customers.
Local Coordination	Actors pay for and use a recurring shared function.
Declining Dependence	Exceptional support per sustained unit falls, with hidden guarantees visible.

The Three-Year Walk-Away Test

Ask Function by Function: If exceptional support changed after three years, what would still happen? Who would perform, pay for and govern each essential function and what evidence shows they are ready?

The Copied Hub as a Contrasting Design

Consider an illustrative government technology centre. Space is free, events are purchased and start-ups receive grants. Occupancy rises. Yet tenants have few paying customers, providers will not offer services without reimbursement and the centre has no maintenance budget beyond the project. Its delivery figures can be impressive while each new turn still requires another public push.

The remedy is not automatically closure, or automatically a larger grant. Revisit the function and the demand. If tenants need access to credible buyers, more events may not help. If there is no viable activity to support, better management of the building cannot supply it.

Also Test Resilience and Public Value

- Can the dynamic withstand the loss of one buyer, firm, funder, official or subsidy?
- Are capability and finance distributed, or concentrated in a single point of failure?
- Does the flywheel widen prosperity or compound exclusion, unsafe work, environmental harm or capture?
- Which public foundations and safeguards should rightly remain?



Spot, Back and Adapt the Flywheel

Turn the full diagnosis into a bounded policy decision

The Final Proposition: A Flywheel recommendation is not a list of programmes. It is a testable explanation of an ecosystem, a bounded public role, a pathway, a binding friction and a reinforcing response with evidence that can prove it wrong.

Make the Reasoning Visible

- State the public outcome and the live decision.
- Carry forward the system hypothesis and strongest alternative explanation.
- Name the pathway, binding friction, required function and smallest sufficient public role.
- Predict the independent actor response and the next turn it should generate.
- Map the prosperity pathway, distribution, power, safeguards and harmful loop.
- Set leading indicators, stop rules and the route away from exceptional support.

Challenge Before Approval

The Sceptic Asks: What evidence is weakest? Why might actors not respond? Are we misclassifying the pathway or serving incumbents? What would seriously weaken the case?

The Team Answers: Approve, run a bounded test, redesign, or do not proceed yet. Evidence should be proportionate to cost, harm and reversibility.

The Ecosystem Gets a Vote

Policy is a cycle: diagnose → act → observe → update. Adaptation is not failure. It is what disciplined policymaking looks like when the system responds differently from the plan.

Flywheel Proposition: Because [system evidence] shows [dynamic], we will [pathway + bounded action] to relieve [friction] and improve [function]. We expect [response] to reinforce [next response] and contribute to [prosperity outcome]. We will adapt, transfer, step back or stop when [decision evidence].

Participant Flywheel Canvas

Use this to capture the whole argument on one page

1

Read the Ecosystem

What is actually happening? Which actors, incentives, capabilities, rules and power relations matter? Where might a productive relationship already reinforce itself?

Notes: ____

2

Choose the Gardener's Role

What public outcome matters? Why should government act? What should it do and deliberately leave to others?

Notes: ____

3

Choose the Pathway

NURTURE / PLANT / REACTIVATE / NOT YET.
What evidence supports the choice, and what would disprove it?

Notes: ____

4

Weed the Friction

Which friction is actually changing behaviour? What function must improve? Who should perform, pay for and govern it?

Notes: ____

5

Grow the Flywheel

What response should generate the next? What does each turn leave behind? What independent commitment, prosperity, resilience and declining dependence should appear?

Notes: ____

6

Decide and Adapt

What bounded action follows now? What will happen in the next 90 days? What evidence triggers continuation, adaptation, transfer, step-back or stopping?

Notes: ____

From Proposition to 90-Day Action

Learn before you lock in

Write the Proposition

Template: Because [system evidence] shows [dynamic], we will [pathway + bounded action] to relieve [friction] and improve [function]. We expect [actor response] to reinforce [next response] and contribute to [prosperity outcome]. We will change course if [evidence].

Run the Sceptic's Challenge

1. What is the strongest alternative explanation?
2. Which evidence is weakest or most dependent on stakeholder assertion?
3. Why might actors fail to respond even if government acts as proposed?
4. Who gains power, protection or income and whose voice is missing?
5. What form of dependency or fiscal lock-in could make support hard to end?
6. What single observation in the next 90 days would most weaken the proposal?

90-Day Flywheel Action Plan

	Action / Evidence Task	Owner and Date	Expected Actor Response	Decision Signal
1				
2				
3				
4				

Deliberate Restraint: What must government deliberately NOT do during the 90 days, so that the system's own response remains visible?

Leave the Garden Stronger

The aim is not to keep pushing the wheel

The Final Principle: Leave the garden more capable, connected and resilient and less dependent on exceptional outside energy. Then keep observing, because the garden will keep changing.

Observe. Remove. Fertilise Lightly.

1. Observe — Read the system before prescribing. Look for the economic relationships that could reinforce themselves.
2. Remove — Find the binding obstruction. Restore the function without automatically replacing the actors who should perform it.
3. Fertilise Lightly — Use temporary support to trigger learning, capability, coordination and independent commitment, not permanent dependence.

The Flywheel Standard

1. Begins with observed behaviour, not aspiration.
2. States a clear prosperity outcome and public purpose.
3. Names the specific dynamic, not just the sector.
4. Explains whether to nurture, plant, reactivate or wait.
5. Identifies the binding friction and required function.
6. Predicts an independent actor response.
7. Shows how one productive response generates the next.
8. Makes distribution, power, harm and safeguards visible.
9. Tests resilience and declining dependence on exceptional support.
10. Contains evidence, review dates and a route to adapt or stop.

The Three-Year Question: If we walked away from the exceptional intervention in three years, what would still be happening and who would have a reason to keep it happening?

A gardener can prepare soil, remove weeds, protect young growth and build irrigation. But the gardener does not manufacture the tree one leaf at a time. Economic transformation comes from the living system itself, when one productive response makes another more likely.