



# Economic Benefits of a Circular Economy

## Policies for Circular Economies



Photo: Greg Linhares, City of Oakland

A vigorous and balanced local economy supports local businesses that address community needs and wants, provides community members with good jobs and a good standard of living, and supplies the tax revenue that enables local government to provide services and infrastructure.

Economies have traditionally followed a “take–make–discard” linear economic model – one that consumes raw materials and generates solid waste once the useful lives of products have ended. However, by creating policies that encourage a circular economy, local governments can help businesses work efficiently and collaboratively, increase the value they deliver to their communities through new jobs and revenue streams, all while supporting climate change and environmental justice efforts.

### **What Is a Circular Economy?**

A circular economy is an economic system in which products and processes are designed so materials and products stay in use and maintain their value, minimizing resource use and waste and letting natural systems thrive.

A circular economy considers resource consumption in the research and design phase, uses renewable and recycled materials, creates products with long useful lives, and plans for product repair and reuse before these products are finally recycled, through a system that sustains and improves the quality of life within communities.

## Examples and Benefits of a Circular Economy

Around the US, circular economic practices are gathering momentum.

- As of 2018, most US circular economy business initiatives focus on turning what was once considered waste into a resource for another industry, particularly in materials management, manufacturing, apparel & consumer goods.<sup>1</sup>

One example: An Austin marketplace enables businesses to sell materials that they otherwise would have discarded, and in doing so generated over \$600,000 in 593 trades, around \$20,000 per month, with proceeds going to local participants.<sup>2</sup>

- The second most common focus for circular economy initiatives is product life extension, addressing the exploding resale market, which is expected to hit \$64 billion by 2025.<sup>3</sup> Most of these are within consumer goods, apparel, packaging and manufacturing industries.



Practices like these result in meaningful economic benefits, including:

**Increased sources of funding** resulting from sales of otherwise discarded materials and products,<sup>4</sup> additional financing options,<sup>5</sup> and new lines of business through partnerships with other local businesses;

**Job creation** enabling a healthy and thriving workforce,<sup>6</sup>

**Reduced waste management costs** resulting from treating some wastes as resources, an increase in recycling and value recapture, and also an increase of products that are less resource-heavy due to digitization, products as services, new ownership models, and sharing economies.<sup>7</sup>

Circular economic practices can enable a thriving economy while shrinking consumption of raw materials. The resulting community-centered economy is more flexible and supports climate change efforts and sustainability.



## Using Local Policies to Create a Circular Economy

Local governments can advance circular economies through a variety of policy approaches:

### Resolutions

To get started, local governments can adopt a [Resolution in Support of a Circular Economy](#).

Other important early steps include assessing current materials and waste flows, estimating increased jobs and revenue, identifying federal and state sources of funding, and developing a circular economy vision and a just transition plan.

### Additional Actions

- **Program and platform creation:** Sponsor pilot programs for quality job creation, create a platform to connect and support organizations,<sup>5</sup> and explore other government investment options.
- **Business incentives and taxation:** Prioritize use of renewable energy and materials; encourage sharing and collaboration between businesses.
- **Legislation:** Mandate Extended Producer Responsibility (EPR) for reclaiming consumer waste post-purchase, to reduce materials and food waste and single-use plastics.
- **Procurement and asset management:** Require government buildings and activities to use renewable and recycled materials;<sup>8</sup> operate government buildings efficiently and to maximize community benefit.<sup>9</sup>
- **Awareness:** Increase the visibility and benefits of circular practices among local businesses and residents.

### References

- <sup>1</sup> CircularCoLab: [The State of the Circular Economy in America](#), 2018.
- <sup>2</sup> Ellen MacArthur Foundation: [Austin: Developing the Materials Marketplace](#), March 2019.
- <sup>3</sup> Thomas, Lauren: [Resale market expected to be valued at \\$64 billion in 5 years, as used clothing takes over closets](#), CNBC, June 23, 2020.
- <sup>4</sup> Ellen MacArthur Foundation: [Operating and Maintaining Products in a Way that Prolongs Use](#), March 2019.
- <sup>5</sup> Ellen MacArthur Foundation: [Financing the Circular Economy](#), 2020.
- <sup>6</sup> Van Riel, Ann: [The circular economy could create an enormous jobs boom](#), Fast Company, May 3, 2019.
- <sup>7</sup> McKinsey & Company: [The Circular Economy](#), 2016.
- <sup>8</sup> Social Circular Economy: [Social Circular Economy](#), 2017.
- <sup>9</sup> Ellen MacArthur Foundation: [City Governments and their Role in Enabling a Circular Economy Transition](#), March 2019.

### Additional Resources

- Accenture Strategy: [The Circular Economy Handbook](#), 2020.
- Natalja Heybroek, Metabolic: [Data-driven tools to accelerate and scaleup solutions for circular cities](#), June 23, 2020.