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How a circular economy will let the world fight climate change and ensure growth

Brian P. Klein - Aug 18

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- **T**he degrowth movement is gaining popularity, but neither people nor countries are ready to stop consuming in the name of the environment
- Instead, we can use the power of economic incentives to dramatically alter the type of growth going forward and still head off climate change

It has been a long, hot summer in the northern hemisphere. While much of the world's population is [sweltering in historic heat](#), a new study shows that the Antarctica ice shelf is also melting far faster than previously thought. That should come as no surprise, considering the devastating effects atmospheric carbon is having on the planet.



The trapped heat is wreaking havoc, from changing weather patterns and [heatwaves](#) to collapsing ice sheets. The solution has been clear for some time - stop pumping so much carbon into the air from burning fossil fuels and, if the science and economics ever catch up, remove some of the



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[movement](#) - a radical economic model that seeks to suspend worsening climate change at any cost by reducing manufacturing and consumption and doing more with less. While it emerged in the

1970s, the idea was recently featured by the World Economic Forum and is gaining traction.

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The real problem isn't the amount of growth, though, but what kind of growth. Rather than try to convince people they have to dramatically alter their way of life, a regenerative approach can have the same or even greater effect in a shorter amount of time. Also known as a [circular economy](#), the goal is to maximise efficiencies of production, reduce waste and environmental impacts and reuse as much as possible.

A small percentage of people, mostly in richer nations, might migrate towards the less-is-more appeal of degrowth. It promises clarity of purpose and the tidiness of a simpler life, much like the tiny house movement has done for living lightly in small places. If everyone consumed less, the reasoning goes, the world would be better off.

Muji, Marie Kondo, and Asia's tiny house movement

But the world can't rely on personal restraint turning mainstream any time soon. Attempts by nations to impose a slower growth model and the loss of jobs that would entail would meet stiff political resistance.

Perpetually pursuing more is baked into almost every economic system. It's a decidedly linear model of manufacturing goods, using them and throwing them away. But growth, as measured in higher gross domestic product, generates better standards of living, medical and technological breakthroughs and wealth, even if distributed at [grossly uneven rates](#).

This system also produces [enormous amounts of waste](#) in the air, water and on land. Still, people don't want to give up what they already have, or aspire to have, and governments across the political spectrum don't want to, either.

The overarching principle should be to use the power of economic incentives to dramatically alter the type of growth going forward rather than trying to force lower consumption overall.

A circular approach to economic development where carbon reduction is matched with new ways of producing, storing and recycling goods is hardly radical. Academic courses are being taught at leading universities such as MIT and Cambridge.

China has built a leading electric-vehicle market worth more than US\$100 billion in 2021. US President Joe Biden has just signed into law [a sweeping bill](#) that will use economic forces far stronger than ideological appeals to slow growth.

The bill directs US\$370 billion to spur more electricity derived from solar, wind and  Feedback

green manufacturing. Even with this start, much more can be done to accelerate the circular economy beyond purchase rebates.

Countries can develop and encourage regenerative standards for international trade at ports of entry, including prioritising goods with a high percentage of recycled components, verified carbon negative production facilities or transport via [all-electric container ships](#). Imported goods that meet these criteria could receive priority customs treatment, speeding their time to market.

Individual companies that prove their own carbon-negative footprint could receive preferential tax breaks. Investment in early-stage technology that reduces atmospheric carbon levels, increases battery life and storage capabilities and reduces the cost of recycling can also be encouraged.

Wealth can still be generated, people can still [move out of poverty](#) and a sustainable economic system that does not destroy the world can still be created.

Whichever countries take the lead in this new approach to doing business will benefit in many ways. Their companies will gain a technological and competitive edge on their peers. Workers will gain advanced skills and reap higher wages. More importantly, the worst of climate change could be averted when economic activity is harnessed towards the singular global goal of carbon reduction.

The harm of climate change is no longer an academic exercise. This summer proved that yet again. Global average surface air temperatures continue to break records. The past seven years have been the [hottest on record](#) since pre-industrial times, according to the European Union's Copernicus Climate Change Service.



Monsoon rain floods roads at Death Valley National Park in California on August 5. Photo: Reuters
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Climate change is making diseases worse and more prevalent. Floods that happened once in 1,000 years are becoming more frequent, and the risks of a mega flood affecting most of California have gone up considerably. The damage could surpass US\$1 trillion if it is as bad as estimates suggest.

Imagine the costs to economic output and individual lives if the droughts, fires and floods that have ravaged communities across the world this summer become the norm. The current ways of doing business are simply not sustainable.

Curbing the desire for more consumption is out of reach at mass scale. Rather than turn our backs on progress for some idealised notion of a simpler world, solutions that harness the power of regenerative economics can significantly reduce atmospheric carbon. Growth is still possible as long as it is done in a responsible way.

Brian P. Klein is founder of RidgePoint | Global, a strategic advisory firm. He is a former US diplomat

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