Insper

Economics

Lucca Torresan

Is a circular creative economy a feasible utopia?

São Paulo

2023

LUCCA TORRESAN

IS A CIRCULAR CREATIVE ECONOMY A FEASIBLE UTOPIA?

TCC apresentado ao programa de Graduação em Ciências Econômicas como requisito parcial para a obtenção do título de Bacharel Economia do Insper Instituto de Ensino e Pesquisa.

Orientador: Professor Bruno Varella Miranda

São Paulo

2023

Torresan, Lucca

Is a circular creative economy a feasible utopia?

Lucca Torresan – São Paulo, 2023

33 f.

Trabalho de Conclusão de Curso (Graduação) – Insper, 2023

Orientador: Professor Bruno Varella Miranda

1. Circular economy 2. Creative economy 3. Creativity 4. Firms 5. Institutions I. Autor II. Título

LUCCA TORRESAN

IS A CIRCULAR CREATIVE ECONOMY A FEASIBLE UTOPIA?

TCC apresentado ao programa de Graduação em Ciências Econômicas como requisito parcial para a obtenção do título de Bacharel Economia do Insper Instituto de Ensino e Pesquisa.

Orientador: Professor Bruno Varella Miranda

Banca Examinadora

Professor Bruno Varella Miranda

Insper

Professor Vinícius Picanço Rodrigues

Insper

Anyone who thinks that you can have infinite growth in a finite environment is either a madman or an economist.

- Kenneth Boulding, 1953

Resumo

O objetivo deste trabalho é analisar o possível alinhamento entre os conceitos de economia circular e economia criativa, visando compreender a viabilidade de uma economia criativa circular. Embora reconheça desafios como as diferentes caracterizações dadas ao sistema de produção em cada um dos casos, o estudo enfatiza a importância da criatividade na criação de valor tanto em sistemas lineares quanto circulares. Por sua vez, os princípios da economia circular ajudam a entender a natureza do processo produtivo, reforçando a nossa habilidade de compreender o papel da criatividade na criação de valor. Para alcançar esse alinhamento, propõe-se a adoção de um modelo flexível que supere a tradicional caracterização técnica e racional que permeia a noção de economia circular. Em outras palavras, é necessário que a economia circular incorpore uma ampla gama de domínios culturais fundamentais para a criatividade. O trabalho também destaca a necessidade de uma nova estrutura institucional que apoie as atividades produtivas. A transição para práticas sustentáveis requer, por exemplo, uma legislação que redistribua os direitos de propriedade e crie incentivos para sistemas de produção circular. Finalmente, para demonstrar como se dá essa relação entre economia circular e economia criativa na prática, este trabalho utiliza a metodologia de estudo de caso. Discutem-se dois casos na indústria da moda de luxo, que tem como "mantra" a vazão à criatividade, e que tem adotado práticas circulares que nos permitem compreender as potencialidades e desafios do alinhamento entre economia circular e criatividade. Ambos os casos sugerem a importância das decisões estratégicas e do envolvimento dos consumidores para uma efetiva circularização. Os resultados contribuem para o debate em curso sobre o fomento de um futuro sustentável e inovador, instigando pesquisas e colaboração adicionais para uma economia mais circular e criativa.

Palavras-Chave: economia circular, economia criativa, criatividade, firmas, instituições

Abstract

The purpose of this study is to analyze the possible alignment between the concepts of circular economy and creative economy. The ultimate goal is to understand the feasibility of a circular creative economy. Although acknowledging challenges such as the different characterizations given to the production system in each of the cases, the study emphasizes the importance of creativity in creating value in both linear and circular systems. In turn, the principles of circular economy help understand the role of creativity in value creation. To achieve this alignment, it is suggested the adoption of a flexible model that goes beyond the traditional technical and rational characterization that permeates the notion of circular economy. In other words, it is necessary for the circular economy to incorporate a wide range of cultural domains that are fundamental to creativity. The study also highlights the need for a new institutional framework that supports productive activities. The transition to sustainable practices requires, for example, legislation that reallocates property rights and creates incentives for circular production systems. Finally, to demonstrate how the relationship between circular economy and creative economy works in practice, this study uses a case study methodology. Two cases in the luxury fashion industry are discussed, an industry that embraces creativity as its mantra and has adopted circular practices, allowing us to understand the potential and challenges of the alignment between circular economy and creativity. Both cases suggest the importance of strategic decisions and consumer involvement for effective circularization. This work contributes to the ongoing debate on how to promote a sustainable and innovative future, stimulating further research and collaboration towards a more circular and creative economy.

Key Words: circular economy, creative economy, creativity, firms, institutions

Table of contents

1 Introduction

There is ongoing interest in understanding how diverse systems of production drive economic development. With his well-known example of the pin factory, Adam Smith (1776) delivers one of the first descriptions of the manufacturing production system, showing how the division of labor creates the conditions for economic prosperity. Then, in the 20th century, the rise of the modern manufacturing corporation set the stage for the creation of the notion of "industrial economy" (SCHMALENSEE, 1988). The shift to an industrial economy led to the consolidation of systems of linear production, which allowed for greater standardization and mass production (MATSUYAMA, 2002). Overall, the high degree of standardization and mass production has enabled manufacturing firms to materialize significant economies of scale, leading to increased productivity and lower costs of production. (SMITH, 1776). These benefits have been instrumental in driving economic development in the 20th century (SOLOW, 1957).

However, a growing literature highlights the exhaustion of the current linear system of ever-increasing production, and consumption (GHISELLINI *et al.*, 2016; WAUGHRAY, 2013; GENG *et al.*, 2012). Some argue that this system is running out of resources, resulting on price volatility, uncertainties, and economic crises (ELLEN MACARTHUR FOUNDATION, 2013). Others argue that this linear approach is leading to the deterioration of the ecosystems due to environmental pollution (GROOT, 2002; BARKER, 2007). Hence, the current linear system may constrain our ability to sustain economic prosperity in the long run (GHISELLINI, 2016).

In response to the economic, environmental, and social challenges derived from the current predominance of linear systems, scholars have explored alternatives systems of production. Take the example of the idea of circular economy. As Pascucci and Fischer (2017) explain, the principles of circular economy may foster the consolidation of patterns of economic development which recouple ecology and economy. The circular economy aims to promote awareness of the environmentally efficient use of finite resources, and the minimization of waste that is intrinsic to linear models (WEBSTER, 2015). It also aims to reduce waste and minimize the use of novel resources by reusing and recycling materials, keeping resources in a continuous cycle (FISCHER; PASCUCCI, 2017). Fundamentally, Smol (2015) explains that under a circular system, waste is eliminated by closing loops (i.e., using the same resources repeatedly) as waste streams become the input for other processes. Yet only 8% of the global economy is circular, indicating a significant gap between current practices and the potential of circularity, that can generate a global economic benefit of $4.5 trillion by 2030 (UNEM, 2021).

Moreover, scholars have discussed how creative activities may enable economic development without the environmental costs of linear systems of production. An emerging literature highlights the positive impact of creative activities to sustainable development (UNCTAD, 2022). The creative economy comprises a spectrum of activities in which creativity exerts a crucial part in generating economic value. As such, it includes industries based on the creation, production, and distribution of goods and services that are cultural in nature (UNCTAD, 2013). These activities include design, media, advertising, architecture, arts, and cultural events (UNCTAD, 2008). The creative economy is distinct from traditional economies, as it places emphasis on intangible assets, such as intellectual property, human creativity, and cultural heritage (HOWKINS, 2001). Today creative industries represent about 3% of the global Gross Domestic Product and employ over 30 million people worldwide (UNCTAD, 2022).

An underlying assumption of both circular economy and creative economy approaches is that they overcome some of the most acute problems found in the linear systems of production typically found in the corporations of the 20th century. Therefore, some people could say that we should aim for a world that is more circular and creative. Nevertheless, it is not clear whether these two ideas perfectly complement each other. Therefore, an important question arises: *how does the notion of creative economy – and, more generally, the idea of creativity – align with the idea of circular economy?* This is the question that will guide this work.

Before we evaluate how is the alignment between the ideas of "circular economy" and "creative economy", it is necessary to define the basic unit of our analysis. It turns out that in both cases there must be a place where actual decisions are made. Over the next few pages, this place will be the firm. But what is a firm?

Coase (1937, p.393) defines the firm as "the system of relationships which comes into existence when the direction of resources is dependent on an entrepreneur". This view highlights an important organizational aspect: a hierarchical relationship may emerge within a firm (WILLIAMSON, 2002; TEECE, 1996). In this sense, we should expect that the exercise of creativity in a firm will be somewhat constrained if the potential innovator is someone under the guidance of an entrepreneur. In any case, firms are a place where innovation may constantly occur. For example, Schumpeter (1942) highlights the reorganization of means of production – and resources more generally – as a key attribute of innovative firms. In the same vein, a broader definition of firm is given by Rumelt (2011), who defines firms as a bundle of resources and capabilities that are organized to create value for customers and capture value for owners (see also TEECE, 2012). As the potential alignment between the ideas of circular economy and creative economy is discussed, this last definition of firm will be instrumental.

2 Relevant definitions

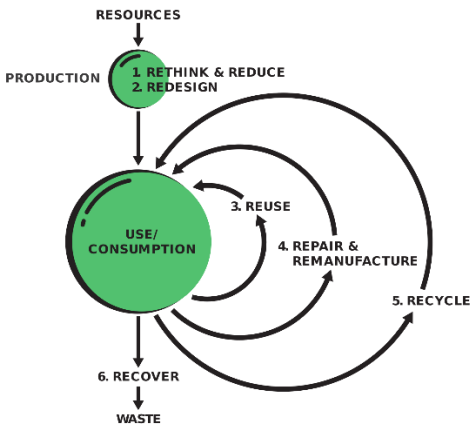
I now discuss two relevant definitions for our analysis, i.e.: the one of circular economy and the one of creativity.

2.1 What is circular economy?

The Ellen MacArthur Foundation (2013) defines circular economy as an industrial economy that is intentionally restorative. Circular economies are based on three principles: (1) waste can be eradicated through a careful design; (2) no mixing of biological and other materials; and (3) reliance on renewable energy. Webster (2015, p. 32) simplified this definition stating that circular economy is "restorative by design, and which aims to keep products, components and materials at their highest utility and value, at all times". Circular economy is related to the concept of cradle-to-cradle, an alternative to the "take-make-dispose" flow. More specifically, it is a call for a wiser design of products and processes in such ways that their constitutive materials maintain their status as productive resources (BRAUNGART, 2017).

In an ideal circular economy, the designers of new products use energy from renewable sources to evaluate opportunities to reuse and cascade products (FIGGE *et al.*, 2017). In this sense, circular designs also enable the elimination of waste, as materials are constantly flowing nutrients and handled in closed loops (ELLEN MACARTHUR FOUNDATION, 2013). By closing loops, i.e., by using the same resources repeatedly, resources are used more sustainably (Figure 1). Full circularity would thus mean that the addition of resources would be unnecessary for the operation of the system (FIGGE *et al.*, 2017).

Figure 1 – Circular Economy and its closed loops



Source: Lyon (2020)

The benefits from the adoption of circular economy models are much broader than only moving away from the current system of production with waste. Circular economy is a key strategy to achieve corporate sustainability (KHAN *et al*., 2020), but it also brings benefits to individuals and consumers, as circular economy has the potential to comprehend and implement radically new patterns and to increase sustainability and wellbeing in the society at low material, energy, and environmental costs (GHISELLINI *et al.*, 2016).

However, circular economy is a relatively novel phenomenon (FISCHER; PASCUCCI, 2017). Currently, single-use ownership is still the norm, and material recovery is understood as not profitable, perpetuating so-called planned obsolescence (ELF *et al*., 2022). Consequently, the development of circular models can be related to environmental concerns regarding the current linear system, as it is contributing to the overconsumption of natural resources (ELLEN MACARTHUR FOUNDATION, 2013).

As more scholars have turned their attention to the benefits of circular economy, the demand for more precise definitions have grown. Building on a broad literature review, Figge (2023) argues that a solid definition of circular economy consists of the necessary and sufficient conditions that need to be fulfilled. Four characteristics for developing a good definition to the idea of circular economy are then suggested:

1. A circular economy imposes closed resource loops, denying the need for virgin resource use;
2. Optimization of resource flows and their direction are necessary conditions, as the outputs and inputs of resources must be the same;
3. The circular economy is distributed across at least two complementary levels, each following a different logic. It manifests at a higher level (e.g., across a cluster of firms), and supporting such circularity are activities (e.g., remanufacturing) with which actors (e.g., firms) engage at a lower level. Circular economy, therefore, is a multi-level concept.
4. The notion of “perfect” resource circularity or optimal circular economy is unlikely to emerge, being an idealized concept.

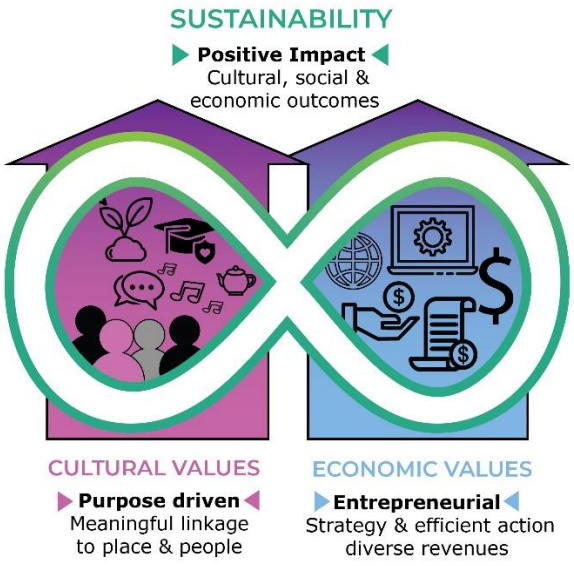
Therefore, a necessary condition for the establishment of a circular system is the proper use of waste. In this sense, we could preliminarily conclude that the answers entrepreneurs give to the challenge of “how to minimize waste” is a key aspect behind the goal of establishing a more circular economy. And this means that individuals might have to constrain the use of resources whose waste cannot be redirected elsewhere.

2.2 What is creative economy?

Creative economy is defined as an economic model that values creativity, innovation, and intellectual property, creating economic value through the production and exchange of creative goods and services (HOWKINS, 2001). It encompasses a range of activities in which creativity plays a key role in generating economic value, including design, media, advertising, architecture, arts, cultural events, and creative services (UNCTAD, 2008). This implies that the creative economy operates differently from traditional economies: its unique characteristics have implications for various industries and businesses, as it values intangible assets, such as intellectual property, human creativity, and cultural heritage (HOWKINS, 2001).

Creative economy is not limited to the production of creative works but should also embrace their distribution and marketing. The creative economy can drive economic growth and create new jobs through the creation and commercialization of creative products and services (Figure 2). This is particularly true in the current era of accelerated technological change, as the production and distribution of creative goods and services can be facilitated by new technologies (HOWKINS, 2001). Additionally, cultural activities have an intrinsic value that goes beyond their economic impact, since creative economy can contribute to sustainable development by promoting cultural diversity and social inclusion (HUTTER; FREY, 2010)

Figure 2 – The Creative Economy framework



Source: Creative economy (2021)

However, creativity is not limited to the arts or creative industries but can be found in all sectors of the economy (HOWKINS 2010). Creativity is a valuable resource that can drive economic growth. From this perspective, one can assume that, in the analysis of creative economy, a key term is “creativity”. But what is creativity?

Creativity can be defined as “the ability to make or otherwise bring into existence something new, whether a new solution to a problem, a new method or device, or a new artistic object or form.” (KERR, 2022). An alternative definition is given by Howkins (2001), who argues that creativity is understood as using an idea to generate another idea, in an endless cognitive and emotional process of creation, exploration, and innovation. A key aspect in the notion of creativity is the idea of agency. In other words, creativity depends on people having the ability to innovate (BUSCO et al., 2012). Indeed, originality is insufficient when it comes to creativity. To be creative, an idea must also be useful and actionable (AMABILE, 1998).

Galenson (2009, 2010) expands the analysis of creativity, extensively focusing on the study of the behavior of specific individuals. According to Galenson (2010), creativity is largely the domain of extraordinary individuals. Innovators are then divided into two types, using the example of the evolution of art movements. First, there are the “experimental innovators”, who seek to record their perceptions, proceeding by trial and error to build their skills gradually, and making their contributions late in their lives. Second, there are the “conceptual innovators”, who use their activity to express ideas and emotions, introducing innovations that are conspicuous and often irreverent. Since conceptual innovators privilege their most transgressive new ideas, major contributions tend to occur early in their careers (GALENSON, 2009).

In summary, available definitions intersect on some components regarding creativity. According to Kamplyis (2010):

1. Creativity is a key ability of individual;
2. Creativity presumes an intentional activity (process);
3. Creativity occurs in a specific context (environment).
4. Creativity must entail the generation of products, either tangible or intangible, which must be novel and appropriate.

It turns out that, from the point of view of someone acting in a creative activity, creativity demands freedom to try new answers to old problems – and eventually correct the route – that recombine resources in novel ways. And this means, at least at first sight, that waste may be a subproduct of the exercise of creativity.

3 Circular economy and creative economy: reconcilable ideas?

With the definitions of circular economy and creativity in mind, we can advance on the discussion of our main question: *how does the notion of creative economy – and, more generally, the idea of creativity – align with the idea of circular economy?* A first step could be asking whether there should be any constraints for creativity at all. Then, we may discuss a related question, which is whether the idea of circular economy represents the building of additional constraints for the exercise of creative activities.

Creative industries are based on people's use of their creativity to increase the value of an idea, and creative firms rely on the talent of innovators to express creativity through marketable products. To accomplish this goal, complex production systems must be developed, with several relationships among people and resources (see PRATT, 2017). Sometimes these relationships occur within a firm, sometimes they occur between firms. This means that, to review any creative process it is necessary to go beyond the artefact, considering its conception, making, distribution, exchange, and archiving (PRATT, 2022). And this implies looking at the relationships within the production system. If this is the goal, Pratt (2022) argues that, instead of restricting creativity, the use of the principles of circular economy can shed additional light on how goods and services are produced. Therefore, the adoption of "circular" lenses can also provide a powerful tool for those who want to understand better the origins and consequences of creativity, in a movement that may eventually reinforce the circularity of the system itself.

In any case, there is still room for a possible misalignment between the circular economy and the creative economy. And this is due to the nature of each one of the systems. On the one hand, debates on the idea of circular economy tend to a "rational reductivism" in approaches, as scholars are deeply influenced by technical and logistical concerns (PRATT, 2022). The approaches follow a rational determinacy due to the dependence on limited decisions predefined by systems definitions. On the other hand, creative economy has a greater capacity to assimilate less reductive and deterministic models (PRATT, 2017).

Starting from this contrast, embracing a circular cultural economy may be challenging, as circular models may struggle to be more flexible. According to Pratt (2022), the design of circular systems should thus not be restricted only to technical considerations, as such approach fails to consider a broader spectrum of social-cultural factors. These cultural factors should not be seen as additional variables to a circular system, but rather elements for a full reconceptualization of the model. A proto-circular creative economy should thus rely on the

communication properties of the use circular lenses, but still considering the potential spillovers that come with the exercise of creativity.

Would this mean that the notion of creative economy can be aligned with the idea of circular economy? Probably. However, achieving such alignment will demand a reconceptualization of both industries. Three initial steps are suggested. First, circular economy principles should move from the current rational and technical approach of a cybernetic system where the focus is on inputs and outputs to a more flexible approach focused on the flows, in which the creation of value is based on the properties of each resource. Second, regarding the creative economy ecosystem, a larger spectrum of cultural domains should receive more attention. In other words, we should look not just at the final product, but rather at the whole production process – and therefore the full set of relationships within the firm, which may be supported by formal contracts or informal agreements. Third, the environment should not be seen as an additional variable to affect the performance of creative segments, but, instead, an interconnected element that potentializes creativity.

Then, there should be an effort for the creation of a new institutional structure behind productive activities. As Ong and Collier (2005) point out, we should see products not as 'stand-alone' artifacts but assemblages for a particular moment in time. Take the example of a designer launching a new collection within the fashion industry. It is questionable to extract the designer from the clothes. After all, the expertise, testing the design, the stylist assistants, and even the stage where people come to see creative goods for the first time (e.g., fashion weeks) help to explain how value is created in this industry. To put in another words, all these activities were necessary for the designer to deliver the collection. And if these old products that would now be seen as assemblages, located in more flexible networks instead of cybernetic systems, are to be managed, then we will need proper mechanisms to understand this new proto-circular cultural model.

But the discussion on the alignment between the ideas of circular economy and creative economy is not restricted to aspects intra-firm or intra-supply chain. In fact, the relationship between firms and the broader institutional environment are very relevant to explain adoption decisions. Firms have had to deal with an institutional environment that often constrains the adoption of more sustainable practices. Even though there are many creative firms that engage with circular products and services, they still operate in a business environment that is ruled to a great extent by legislation create to allocate property rights in linear systems of production. For example, to reach the proposed circular model and creative model, it would be necessary to shift taxes from labor to resources, making new products more expensive and repair cheaper

(CIRCULAR PLACE, 2021). This move would be a significant enabler of circular economy, since it would incentivize people to focus on increasing the lifetime of products through activities such as repair, renewal, and remaking, specifically on creative industries.

From a more general perspective, it is possible to argue that firms embedded in a certain institutional arrangement set the rules for the activity of individuals that may exercise creativity or not. Finding the right balance between coordination and autonomy is key: while the exercise of creativity demands freedom of action, the existence of the firm comes when an entrepreneur coordinates the allocation of resources in a hierarchical way (COASE, 1937). Finding the right fit between the structure that supports the exercise of creativity and the characteristic of the institutional framework is fundamental as well. Since the exercise of creativity must be embedded in the socio-cultural features of a society (PRATT, 2022), a second potential constraint emerges. This should not be seen necessarily as a problem, however, since the alignment among different levels of social action (i.e., institutional dimension, firm level, and creative individuals) will likely increase the likelihood of creation of products that are relevant in a given society. If the principles of the circular economy are added to this logic, products may be not only relevant but also sustainable.

In summary, creative industries also play a crucial role when it relates to transition from a linear to a circular economy, as they may help consumers to visualize different consumption patterns. Starting from the opposing end, when people approach creativity with “circular” lenses, they can better understand how creative activities impact the environment. Creative skills of artists help companies to differentiate and align to their context, developing new routes to find alternative solutions for current needs (FOUGÈRE, 2021). And this is at the core of the idea of circular economy as well. Of course, the alignment between both ideas will not come automatically, and the evolving of a proto-circular creative model is a process. Investments will be necessary to add new skills to the labor force and to enhance the collaboration among stakeholders in supply chains. Countries will also have to create new and adapted regulations, as well as incentivizing the exchange of innovation and technology (UNEN, 2021). The conciliation of these both ideas is summarized in Table 1.

Table 1 – Graphic Summary: The Proto-Circular Creative Economy

	Proto-circular creative economy	Misalignment: contrasting natures of the systems	Reconceptualizing both industries		Institutional Structure and Adoption
Creative Economy	Circular principles can shed light on how goods and services are produced, without restricting creativity.	Circular Economy tends to follow rational, and technical approaches influenced by logistical concerns.	Circular economy principles should also focus even more on flows and resource properties rather than inputs and outputs.	Institutional Arrangement	Firms play a crucial role in setting the rules for creative activity within a specific institutional arrangement.
	Adopting “Circular" lenses enhances understanding of the origins and consequences of creativity.				Finding the balance between both coordination and autonomy is essential to support creativity while maintaining a hierarchical structure.
Circular Economy	Creative industries rely on the use of creativity to increase the value of ideas and create marketable products.	Creative economy assimilates less reductive and deterministic models, offering flexibility.	The creative economy ecosystem should consider a broader spectrum of cultural domains and production processes. Viewing the environment as an interconnected element enhances creativity within a circular framework.		
	Creative skills enable companies to differentiate and align with their context, offering alternative solutions.				Aligning different levels of social action enhances the creation of relevant and sustainable products.
	To achieve alignment, investments in new skills, collaboration, and innovation are necessary to align circular and creative economies. Additionally, adapted regulations and incentives for technology exchange are required at the national level.				

4 Empirical analysis

To analyze how circular economy and creativity shall coexist in practice, the work follows a case study method approach. It refers to a research strategy of focusing on individual cases to draw insights about causal relationships in a broader population of cases (POTEETE *et al.*, 2009). The decision to analyze case studies is due to the large variety of circular systems (HOWKINS, 2023), as well as the scarcity of academic articles that discuss the relationship between the circular economy and creative industries.

The selection of cases is restricted to a single industry, the luxury fashion segment, with a focus on assessing the alignment of the notions of circular economy and creativity. The fashion luxury industry provides an interesting setting for this analysis. In fact, the industry is not only entirely based on the exercise of creativity but has also innovated to adopt ideas related to the circular economy in the recent years. By analyzing the viability of implementing a circular system in a creative industry, this work aims to clarify how these notions can be aligned.

4.1 Gucci: consumer-facing and collaboration practices

Founded in Florence in 1921, Gucci is one of the most influential luxury brands in the world, renowned as a universal reference for fashion and accessories. Today, the brand became a well-known top luxury fashion house, spreading its activities to a broader variety of products within the fashion sector, producing from the traditional clothing and leather bags to shoes, jewelry, eyewear and even fragrances. The centenary high-end house moved from a top luxury brand, renowned for original creations that symbolizes the peak of Italian craftmanship with a culture of quality and creative design, to become also a benchmark for an innovative business model. This reconceptualization of the brand's view of its business model, as described in this work, is an important first step on how creative segments can be aligned to circular practices.

To understand the brand strategy on transitioning to circular economy, the analysis is based on three key principles: reuse, recycle, and product-life extensions combined with resource-preservation. First, regarding reuse, because of the cooperation with diverse stakeholders, Gucci has implemented reusing practices in a very extensive method. The brand developed the "re-verso" Project to reuse wool wraps to avoid the use of cashmere, which has an economic footprint that has turned "parts of Mongolia that once sustained cashmere goats into a dustbowl" (GUCCI EQUILIBRIUM, 2019), and the Gucci-Up' program to upcycles leather and textile offcuts originated during manufacturing. The most renowned initiative,

however, is the project “I was a Sari” founded in Mumbai by the Italian entrepreneur Stefano Funari, which reuses saris, a traditional Indian garment, as an inexpensive and versatile raw material that could be used to create original fashion items. For this project, poor Mumbai women were hired as workers, relying on their huge potential related to creativity and skills, and trained in reconditioning and upcycling saris. Due to the success of the project, Funari developed a partnership with Gucci, in which the brand adapted this project to their business, giving to saris a new value in the global luxury market.

Second, regarding recycling, Gucci has focused on ramping up recycled and regenerated materials not only in their collections, by increasing the use of fibers that are derived from post-industrial textile waste, but also across the entire supply chain, using recycled plastic instead of virgin plastic, for example. The brand is also rising the quantity of recycled and plant-based synthetic fiber used in production. One example is the pioneering use of ECONYL®: Gucci was the first luxury brand to use regenerated nylon fully obtained from both pre- and post-consumer waste. This is the main material in Gucci Off the Grid collection, the first of the Circular Lines, the brand project aimed at circularity. In this collection, the use of this regenerated nylon is accompanied by a take-back program, in which their suppliers recover any ECONYL® offcuts from the brand`s production and turns them into a new high-quality yarn. However, Gucci has struggled to reintroduce the prototypes to the cycle, as they still cannot be recycled.

Finally, regarding the product-life and the preservation of resources, Gucci established the “Scrap-Less” Project. The project aims to introduce new and less polluting types of metal-free leather treatment, as well as the use of 3D printers for prototypes of metal accessories to increase efficiency. These initiatives adopted by Gucci aim at reducing environmental impact by optimizing the use of resources.

However, even though Gucci strongly relies on collaboration and on consumer-facing initiatives, the firm is still constrained by the stylist decisions of the brand, which are crucial on the luxury fashion segment, as they represent the brand’s identity. This imposes a limit on initiatives that offers consumer engagement, which may enhance the relationship between product and consumer, and so grant product-life extensions. For example, personalization might conflict with the stylistic view of the brand, and thus is still limited.

4.2 Burberry: creativity vis a vis circularity

Burberry was founded in 1856 by Thomas Burberry and is headquartered in London. The British luxury fashion brand is driven by the core belief that creativity open spaces, and, despite this was the key strategy on the company collections and product design during the 20th century, over the past two decades, the creativity also moved to the design of a sustainable business model. This move assured pioneering position for the brand, with social and environmental initiatives in place for more than 15 years (ETTINGER, 2021). And the ambition that has driven the broader strategies of the company is to become climate positive by 2040, supporting the principles of a circular economy for luxury, which is central to Burberry's responsibility agenda (BATTY, 2019). Through its ambitions, the brand recognized that modern luxury means to be socially and environmentally responsible (BIRD, 2018).

However, Burberry sustainable ambitions began to be converted into concrete actions when the company pledged to end the burning of unsold goods in 2018, which marked the entry of the brand on more circular strategies, and lead Burberry to become regarded as a resource efficiency champion in the luxury fashion space (ELLEN MACARTHUR FOUNDATION, 2018). Additionally, the British brand is a member of the Ellen MacArthur Foundation's 'Make Fashion Circular', in which, along 17 other fashion companies, the brand has engaged on creating business models that maintain garments in use, that is based on renewable resources, and that recycle old clothes into new products.

The question that then arises is how this growing attention to the principles of circular economy can limit the creativity and stylistic decisions. The choice to cease to use clothing incineration was only possible with an aftercare program for its trench coats and handbags, aimed at repairing the products and reducing waste (BIRD, 2018). However, the repair of those items is not only necessary for reintroducing them in the luxury market, but also as a quality check, which is crucial for sustaining the brand identity. Burberry transition to circularity emerged from a strategic view for a more sustainable fashion business but constrained by the need to preserve the brand legacy of creativity and luxury with high quality products.

As the brand's vice president for corporate responsibility Pam Batty (2019) stated, the enduring quality of Burberry pieces means that their appeal and value is long-lasting. This choice can open new business opportunities: for example, the decision to start offering repairing services, which was intended to preserve the identity of the brand, allowed Burberry to compete in the resale market. In 2019, Burberry partnered with The RealReal, the largest authenticated luxury goods consignment marketplace, to sell its second-hand products. By this, customers

can sell their used accessories and garments back at selected Burberry stores, and, after the items are received, necessary repairs or restorative work are made before the items are resold in the The RealReal platform or through its own service at stores. The partnership tries to demystify the negative vision of second-hand market on the fashion luxury segment, with Burberry not only engaging in circular practices that may be the example for other luxury giants, but also encouraging their consumers to "consider all options available when thinking about their wardrobes and to extend the life of their products through resale", as explained by Batty.

Another option designed by the British brand for its customers is aligned with the rental business model. Continuing with the implementation of circularity in its strategy, Burberry partnered with the clothing rental and resale platform My Wardrobe HQ, making available for rent or secondhand purchase some of its iconic coats, handbags, and accessories, either supplied by the brand or by some of its clients (HERD, 2021). While Burberry demonstrates the importance of giving a new meaning for old pieces, the company still preserves its identity and creativity by selecting which items will be available and from what clients these pieces will be selected (HERD, 2021). Hence, Burberry has crafted a strategy that is not only a rental system aimed at circularizing its supply chain, but also a strategy that appeals to existing customers who are exploiting resale and rental models or to a future customer base with evolving preferences (ETTINGER, 2021).

Resale, repair, and rental are playing a key role in circular business models (ELLEN MACARTHUR, 2018), but also in Burberry core strategy that increasingly follows the principles of circular economy. Some other strategies that deserve mention include the use of sustainable raw materials and donating leftover fabric to fashion students through the ReBurberry Program are being implemented. However, the attention is still placed on how to engage luxury fashion consumers in circular practices, and most importantly, how to transition to circularity while still maintaining the luxury standards that consolidated Burberry success, such as stylistic decisions, fashion creativity and product authenticity. The answer seems to be an active role of the brand in the decision-making process related to each piece, garment, and material, preserving the brand's identity, as it is seen with its repair initiatives. This might be easier for a firm that has offered after-care and repair services to consumers since it was founded. In other words, the complex set of relationships that constitute Burberry seems to provide a series of possibilities of simply giving a new meaning to routines. As Burberry tries to become "circular", adapting its practices, it is likely that its business models will also evolve.

4.3 Cases summary

This work emphasizes the need for a reconceptualization of both industries, circular economy, and creative economy, to achieve alignment. It also mentions the importance of considering the relationships within the production system and the broader institutional environment. These points are relevant to understanding the case of Gucci's transition to circular practices. Gucci, a luxury brand renowned for its creative designs, has embraced the principles of circular economy through practices such as reuse, and recycling. The brand has collaborated with various stakeholders and implemented initiatives to increase the use of recycled and regenerated materials and optimize resource use. However, Gucci's stylistic decisions and brand identity can impose constraints on initiatives that involve consumer engagement and product-life extensions. This limitation highlights the challenge of aligning creative segments with circular practices.

Burberry, as a luxury fashion brand, also recognizes the importance of creativity in its product design. At the same time, the firm acknowledges the need to transition to a more sustainable and circular approach. This work emphasizes that the adoption of circular economy principles should not constrain creativity but rather provide a framework for understanding how goods and services are produced. Similarly, Burberry's commitment to circularity is not seen as limiting creativity but rather as an opportunity to explore new business models and engage consumers in more sustainable practices. The discussion highlights the importance of considering the entire production process, including repair, renewal, and remaking, as well as the role of cultural factors in a proto-circular creative economy. Burberry's initiatives, such as ending the burning of unsold goods, repairing products, and partnering with resale and rental platforms, exemplify how a brand can integrate circularity while preserving its creativity and luxury standards. Table 2 summarizes the common and divergent points between the two cases.

Table 2 – Circular Creative Model, Gucci and Burberry: common and divergent points

Common Points	Divergent Points
Embracing circular principles to transition from a linear to a circular economy	Limited flexibility in circular models
Focus on the full production process, not only the final product	Need for coordination among different levels of social action
Use of circular lenses to understand the impact of creative activities on the environment	Adoption of sustainable practices still constrained by the existing institutional arrangement
Recognition of the role of creative industries in visualizing different consumption patterns	Challenge of managing assemblages in flexible networks
Attention to the broader institutional environment for adoption decisions	Need for new regulations and incentives to support circular and creative models
Balance between coordination and autonomy in supporting creativity	
Integration of social-cultural factors for a proto-circular creative economy	
Importance of the environment as an interconnected element	

5 Conclusion

In this work, I analyze the potential alignment between the concepts of circular economy and creative economy. I argue that there is potential for aligning the ideas of circular economy and creative economy, but also that there are several challenges to be overcome. Specifically, there can be a misalignment between the two ideas due to the different natures of the systems, as debates on the idea of circular economy tend to be influenced by technical and logistical concerns, while the creative economy has a greater capacity to assimilate less reductive and deterministic models. In any case, creativity is an essential ingredient in the production of value in the creative economy and circular economy principles can shed additional light on how creative goods and services are produced. Perhaps most importantly, the circular economy provides a powerful tool for understanding the origins and consequences of creativity.

I then suggest that the alignment between the two ideas can be achieved through a reconceptualization of both industries. This would involve moving from the current rational and technical approach to a more flexible approach focused both on circular economy principles, and a broader spectrum of the diverse cultural domains that are at the core of the exercise of creativity. Furthermore, the environment should be seen not as an additional variable – and potential constraint – but as an interconnected element that potentializes creativity.

To guarantee a fruitful dialogue between the notions of circular economy and creative economy, I also highlight that there is a need for a new institutional structure behind productive activities. In particular, we would benefit from the adoption of a novel proto-circular cultural model that enhances our ability to understand the nature of production beyond material attributes. Additionally, the institutional environment should also shift towards more sustainable practices by creating legislation that reallocates property rights and creates incentives for the establishment of circular systems of production. Examples of relevant policies include the redesign of the tax code and the training of new workers.

In the last section of this study, I analyze circular initiatives in the luxury fashion industry. The case studies of Gucci and Burberry demonstrate that luxury fashion brands can align circular economy principles with creativity by implementing traditional circular practices such as reuse, recycling, and product-life extension. However, the success of these initiatives is often constrained by the stylistic decisions of the brand and the engagement of the consumers. Overall, the analysis suggests that the circular economy and creativity can coexist in practice, but it requires a careful balance between innovation, sustainability, and commercial viability.

In conclusion, the alignment between circular economy and creative economy is possible but requires adaptations in the interpretations to both notions and a supportive institutional environment. The findings of this study contribute to the ongoing discussion on how to achieve a more sustainable and creative future and call for further research and collaboration towards a more circular and creative economy.

6 References

AMABILE, T.M. How to Kill Creativity. **Harvard Business Review,** 1998. Disponível em: https://hbr.org/1998/09/how-to-kill-creativity. Acesso em: 21 março 2023.

BARKER, T.; ROE, G. H. Why Is Climate Sensitivity So Unpredictable? **Science,** v. 318, n. 5, p. 629-632, 2007. Disponível em: https://doi.org/10.1126/science.1144735. Acesso em: 25 setembro 2022.

BIRD, Jon. Fashion's Dirty Little Secret And How It's Coming Clean. **Forbes,** Sydney, 9 sep. 2018. Disponível em: https://www.forbes.com/sites/jonbird1/2018/09/09/fashions-dirty-little-secret-and-how-its-coming-clean/?sh=3cbefb4e1771. Acesso em: 25 setembro 2022.

BRAUNGART, M.; MCDONOUGH, W.; BOLLINGER, A. Cradle-to-cradle design: creating healthy emissions - a strategy for eco-effective product and system design. **Journal of Cleaner Production**, v. 15, p. 1337–1348, 2007. Disponível em: https://doi.org/10.1016/j.jclepro.2006.08.003. Acesso em: 25 setembro 2022.

BATTY, Pam. Burberry and the Realreal join forces to make fashion circular. **Burberry**, London, 7 oct. 2019. Disponível em: https://www.burberryplc.com/en/news/sustainability/2019/burberry-and-the-realreal-join-forces-to-make-fashion-circular.html/?utm_source=luxe.digital. Acesso em: 25 setembro 2022.

BUSCO, C.; FRIGO, M.L; GIOVANNONI, E.; MARAGHINI, M.P. When Creativity Meets Control: A Fashion Industry Case Study. **The Journal of Corporate Accounting & Finance,** v. 23, n. 6, p. 61-72, 2012. Disponível em: https://doi.org/10.1002/jcaf.21799. Acesso em: 14 maio 2023.

COASE, R.H. The Nature of the Firm. **Economica,** v.4, n. 16, p.386-405, 1937. Disponível em: https://doi.org/10.2307/2626876. Acesso em: 21 março 2023.

ETTINGER, Jill. Burberry Embraces Resale, Rental, and Repair As Part of 2040 Climate Positive Goals. **The Ethos,** New York, 15 dec. 2021. Disponível em: https://the-ethos.co/burberry-resale-rental-repair-sustainability/. Acesso em: 25 setembro 2022.

ELF, P.; WERNER, A.; BLACK, S. Advancing the circular economy through dynamic capabilities and extended customer engagement: Insights from small sustainable fashion enterprises in the UK. **Business Strategy and the Environment**, v. 31, n. 6, p. 2682–2699, 2022. Disponível em: https://doi.org/10.1002/bse.2999. Acesso em: 25 setembro 2023.

ELLEN MCARTHUR FOUNDATION. **Rethinking business models for a thriving fashion industry**, 2018. Disponível em: https://ellenmacarthurfoundation.org/fashion-business-models/overview. Acesso em: 25 setembro 2022.

ELLEN MCARTHUR FOUNDATION. **Towards the Circular Economy**, 2013. Disponível em: http://www.ellenmacarthurfoundation.org/publications. Acesso em: 25 setembro 2022.

EUSBSR (EU STRATEGY FOR THE BALTIC SEA REGION). **Circular Place,** 2021. Disponível em: https://ndpculture.org/wp-content/uploads/2022/04/CircularPlace.pdf. Acesso em: 21 março 2023.

FIGGE, F.; GIVRY, P.; CANNING, L. Eco-efficiency of Virgin Resources: A Measure at the Interface Between Micro and Macro Levels. **Ecological Economics,** v. 138, p. 12-21, 2017. Disponível em: https://doi.org/10.1016/j.ecolecon.2017.03.016. Acesso em: 14 maio 2023.

FIGGE, F.; THROPE, A.; GUTBERLET, M. Definitions of the Circular Economy – Circularity Matters. **Ecological Economics,** v. 208, p. 1-2, 2023. Disponível em: http://dx.doi.org/10.1016/j.ecolecon.2023.107823. Acesso em: 14 maio 2023.

FISCHER, A.; PASCUCCI S. Institutional incentives in circular economy transition: The case of material uses in the Dutch textile industry. **Journal of Cleaner Production**, v. 155, n. 2, p. 17-32, 2017. Disponível em: https://doi.org/10.1016/j.jclepro.2016.12.038. Acesso em: 25 setembro 2022.

FOUGÈRE, M.; MERILÄINEN, E. Exposing three dark sides of social innovation through critical perspectives on resilience. **Industry and Innovation,** v. 28, n. 1, p. 1-18, 2021. Disponível em: https://doi.org/10.1080/13662716.2019.1709420. Acesso em: 14 maio 2023.

GALENSON, D. Understanding Creativity. **Journal of Applied Economics,** v. 13, n. 2, p. 351-362, 2010. Disponível em: https://doi.org/10.3386/w16024. Acesso em: 21 março 2023.

GALENSON, D. Old Masters and Young Geniuses: The Two Life Cycles of Human Creativity. **Journal of Applied Economics,** v. 12, n. 1, p. 1-9, 2009. Disponível em: https://doi.org/10.1016/S1514-0326(09)60002-7 Acesso em: 21 março 2023.

GENG, Y.; FU, J.; SARKIS, J. Towards a national circular economy indicator system in China: an evaluation and critical analysis. **Journal of Cleaner Production,** v. 23, n. 1, p. 216-224, 2012. Disponível em: https://doi.org/10.1016/j.jclepro.2011.07.005. Acesso em: 25 setembro 2022.

GHISELLINI, P.; CIALANI, C.; ULGIATI, S. A review on circular economy: the expected transition to a balanced interplay of environmental and economic systems**. Journal of Cleaner Production**, v. 114, p. 11-32, 2016. Disponível em: https://doi.org/10.1016/j.jclepro.2015.09.007. Acesso em: 25 setembro 2022.

GROOT, R. S.; WILSON, M.; BOUMANS, R. M. A typology for the classification, description and valuation of ecosystem functions, goods and services. **Ecological Economics,** v. 41, n. 3, p. 393-408, 2002. Disponível em: https://doi.org/10.1016/S0921-8009(02)00089-7. Acesso em: 21 março 2023.

Gucci Equilibrium. **Gucci Equilibrium Impact Report,** 2021. Disponível em: https://equilibrium.gucci.com/presenting-the-first-gucci-equilibrium-impact-report/. Acesso em: 14 maio 2023.

HERD, Juliet. Burberry blazes a trail for circular fashion economy. **Tempus,** London, 23 dec. 2021. Disponível em: https://tempusmagazine.co.uk/news/burberry-blazes-a-trail-for-circular-fashion-economy. Acesso em: 25 setembro 2022.

HOWKINS, John. **The Creative Economy: How People Make Money From Ideas.** London: Allen Lane, 2001.

HOWKINS, John. **Creative Ecologies: Where Thinking is a Proper Job.** New York: Routledge, 2010.

HUTTER, M.; FREY, B.S. On the Influence of Cultural Value on Economic Value. **Revue D'économie Politique,** v. 120, n. 1, p. 35-46, 2010. Disponível em: https://doi.org/10.3917/redp.201.0035. Acesso em: 14 maio 2023.

KAMPYLIS, P.G.; VALTANEN, J. Redefining Creativity — Analyzing Definitions, Collocations, and Consequences. **Journal of Creative Behavior,** v. 44, n. 3, p. 191-214, 2011. Disponível em: https://doi.org/10.1002/j.2162-6057.2010.tb01333.x. Acesso em: 21 março 2023.

KERR, Barbara. Research on the Creative Process. In: KERR, Barbara. **Creativity**. London: Britannica, 2022. p. 1. Disponível em: https://www.britannica.com/topic/creativity. Acesso em: 14 maio 2023.

KHAN, O.; DADDI, T.; IRALDO, F. Microfoundations of dynamic capabilities: Insights from circular economy business cases. **Business Strategy and the Environment**, v. 29, n. 3, p. 1479–1493, 2020. Disponível em: https://doi.org/10.1002/bse.2447. Acesso em: 25 setembro 2022.

MATSUYAMA, K. The Rise of Mass Consumption Societies. **Journal of Political Economy,** v. 110, n.5, p. 1035-1070, 2002. Disponível em: https://doi.org/10.1086/341873. Acesso em: 21 março 2023.

ONG, Aihwa; COLLIER, Stephen J.. **Global Assemblages: Technology, Politics, and Ethics as Anthropological Problems**. Oxford: Blackwell, 2005.

Poteete, Amy R.; Janssen, M.; Ostrom, E. Small-N Case Studies: Putting the Commons under a Magnifying Glass. **Working Together:** Collective Action, The Commons, and Multiple Methods in Practice. Princeton University Press, 2009. cap. 2, p.31-62.

PRATT, Andy C.. Innovation and the cultural economy. In: BATHELT, Harald; COHENDET, Patrick; HENN, Sebastian. **The Elgar Companion to Innovation and Knowledge Creation**. London: Edward Elgar, 2017. p. 230-243. Disponível em: https://doi.org/10.4337/9781782548522.00023. Acesso em: 14 maio 2023.

PRATT, A.C.; Toward circular governance in the culture and creative economy: Learning the lessons from the circular economy and environment. **City, Culture and Society,** v. 29, 2022. Disponível em: https://doi.org/10.1016/j.ccs.2022.100450. Acesso em: 14 maio 2023.

RUMELT, Richard. **Good Strategy/Bad Strategy: The Difference and Why It Matters**, New York: Crown Business, 2011.

SCHMALENSEE, R. Industrial Economics: An Overview. **The Economic Journal,** v. 98, n. 392, p. 643-681, 1988. Disponível em: https://doi.org/10.2307/2233907. Acesso em: 14 maio 2023.

SCHUMPETER, Joseph. **Capitalism, Socialism and Democracy.** New York: Harper and Brothers, 1942.

SMITH, Adam. **An Inquiry into the Nature and Causes of the Wealth of Nations**. London: William Strahan, 1776. Disponível em: https://www.ibiblio.org/ml/libri/s/SmithA_WealthNations_p.pdf. Acesso em: 21 março 2023.

SMOL, M.; KULCZYCKA, J.; HENCLIK, A. The possible use of sewage sludge ash (SSA) in the construction industry as a way towards a circular economy. **Journal of Cleaner Production,** v. 95, p. 45-54, 2015. Disponível em: https://doi.org/10.1016/j.jclepro.2015.02.051. Acesso em: 25 setembro 2022.

SOLOW, R. M. Technical Change and the Aggregate Production Function. **The Review of Economics and Statistics,** v. 39, n. 3, p. 312-320, 1957. Disponível em: https://doi.org/10.2307/1926047. Acesso em: 21 março 2023.

TEECE, D.J. Firm organization, industrial structure, and technological innovation. **Journal of Economic Behavior & Organization,** v. 31, n.2, p. 193-224, 1996. Disponível em: https://doi.org/10.1016/S0167-2681(96)00895-5. Acesso em: 21 março 2023.

TEECE, D.J. Dynamic Capabilities: Routines versus Entrepreneurial Action. **Journal of Management Studies,** v. 49, n.8, p. 1395-1401, 2012. Disponível em: https://doi.org/10.1111/j.1467-6486.2012.01080.x. Acesso em: 21 março 2023.

UNCTAD (United Nations Conference on Trade and Development). **Creative Economy Outlook,** 2022. Disponível em: https://unctad.org/system/files/official-document/ditctsce2022d1_en.pdf. Acesso em: 14 maio 2023.

UNCTAD (United Nations Conference on Trade and Development). **Creative Economy Report,** 2013. Disponível em: https://en.unesco.org/creativity/publication/creative-economy-report-2013. Acesso em: 14 maio 2023.

UNCTAD (United Nations Conference on Trade and Development). **Creative Economy Report,** 2008. Disponível em: https://unctad.org/system/files/official-document/ditc20082cer_en.pdf. Acesso em: 14 maio 2023.

UNEM (UNITED NATIONS ECONOMIST NETWORK). **New Economics For Sustainable Development: Creative Economy,** 2021. Acesso em: 14 maio 2023.

WAUGHRAY, Dominic. **Davos 2013: circular economy offers opportunities for Latin America**. 2013. Disponível em: https://www.theguardian.com/sustainable-business/davos-2013-circular-economy-opportunities-latin-america. Acesso em: 14 maio 2023.

WEBSTER, K. **The circular economy: A wealth of flows**. 2015. Disponível em: http://www.ellenmacarthurfoundation.org/publications. Acesso em: 25 setembro 2022

WILLIAMSON, O.E. The Theory of the Firm as Governance Structure: From Choice to Contract. **The Journal of Economic Perspectives,** v. 16, n. 3, p. 171-195, 2002. Disponível em: https://www.jstor.org/stable/3216956. Acesso em: 21 março 2023.