

Leasing could provide the route to a circular and self-supporting economy

A leasing society model would give manufacturers an economic incentive to design sustainable products

- Judith Merkies and Eric Lowitt for the [Guardian Professional Network](#)



Michelin, the world's leading tyre manufacturer, now offers durable and rentable tyres. Photograph: John Marsh/Action Images

Mainstream media coverage has a tendency towards turning every debate into a boxing match. Science and common sense notwithstanding, well-informed professors are often pitted against do-it-yourself media moguls in a battle for the penultimate say over the reader's opinions and perceptions. Readers and society are artificially forced to choose between polar opposites, at the risk of never becoming aware of the most effective choice.

The climate change debate is depicted by the media as follows: on the one side are the climate skeptics, complacent oil bigwigs and electoral profit-prompted politicians. On the other side are the alarmists, the dreamers and the crypto-anarchists who want to subvert capitalism. A large crowd of spectators, who are undecided as to who they support, are left out of the debate as they watch from the sidelines. After all, who wants to hear nuanced voices when you can have diametrically opposed opinions? That said, who wants to cover climate change when you can obtain much higher ratings by covering stories of daily grief? In short, mainstream media coverage presents the extremes as the default middle ground to readers.

Though former energy secretary Bill Richardson advocated "[an Arab Spring for the environment](#)", the streets remain empty. And when scientific magazines are jammed full of reports on dwindling resources and subsequent climate instability, political action continues to be at odds with those signals. As [Naomi Klein suggests](#), the climate movement needs to have one hell of a comeback. For this comeback to take place, new public awareness, passion and commitment has to emerge.

The single biggest flaw in our globalised economy is that there is no disincentive for tapping resources and mining raw materials in ways that damage the environment. No one, neither companies nor consumers, accounts for external costs. To remedy this vexing challenge wrought with disastrous consequences, many scholars have argued that green [Pigovian](#)

[taxes](#), should be imposed. They champion a pro-active government that curbs the negative side effects of our economy.

We must move beyond these pre-configured media-imposed archetypes, though. This decade we are put to a choice. Either we continue to rely on politically unstable but resource-abundant second- and third-world regimes and proceed to follow the dead-end road of a linear material-intensive economy, or we embrace a circular model where external costs are accounted for and acted upon, in order to get in pole position for a sustainable future.

What if we could find a magic middle? What if we could restructure markets to serve everyone's interest? What if we could shatter the fabled [Gordian Knot](#) that we are put to an 'either/or' debate. What if we could find a profitable business model that buoys a green, socially just and dematerialised economy?

The way forward

Business must at least pay attention to natural cycles and has to be sensitive to the ecological limits of the planet. Some have suggested that we should focus on imitating the ever-renewable loops of nature – biomimicry or cradle-to-cradle models. These models put a responsibility on the designer to create products that are reusable or naturally decomposable at the end of their lifespan. But as long as the majority of consumers steadfastly vote for sustainable products with their minds but purchase conventional products with their wallets, such well-intended and well-thought-through models will not have an impact commensurate with their lofty aspirations. Survey upon consumer survey clearly shows that for now the economic rationale for companies to invest significant amounts of capital to produce sustainable products that they can sell and then walk away from is lacking.

We propose an alternative model. One that incentivises manufacturers to maintain responsibility for their wares through the end of their useful lives, in order to gain access to mass amounts of materials they can use in place of virgin materials. A leasing society model prompts manufacturers to design sustainable products not through force or regulations, but through economic incentives. When consumers lease instead of purchase, companies will need to consider not only what happens the moment a product is sold, but also what happens when it comes back in. The realisation descends that, from now on, they have the economic interest to make their products more durable and more sustainable, because their expenses will be minimised when the product lasts for its entire leasing period. The replacement of a product will be entirely on the producer's account. Companies thus will benefit from investing in ways to extend their products' lifespans and be de-incentivised to launch — say — a new tablet computer every few months. Therefore a company could outpace its competitors primarily by developing a range of durable devices that could be exploited by receiving monthly fees during their whole leasing periods.

Where it already works

The analogy can be drawn to other sectors where such a leasing model is already in place. Clearly the strongest evidence to attest this claim is to be found in practice. Consider Michelin, the world-leading tyre manufacturer, which now offers durable and rentable tyres; the Dutch telephone company KPN, leases phones to take back and recycle valuable materials, or the flourishing chemicals and carpets leasing markets, developed by Ray Andersen via Interface. Successful precedents for leasing have been set in both the commercial and consumer markets, with fungible economic and environmental benefits. It is time to nurture this alternative economic consumption model for a far broader range of products. Not for moral reasons, but for reasons of shared prosperity.

This is not to present leasing as an all-encompassing panacea, but it does put us on the track of a circular, self-supporting economy. We must embrace this alternative. For economic development., for environmental stewardship, and for an increased likelihood the planet will be able to support a rapidly growing population. Consumption without conviction, without conscience and without recycling will not enable shared prosperity that is also scalable.

The allure of the leasing society model is that it does not put aside capitalism. Rather, it fully employs the superb allocation mechanism of the market to account for private benefits and public costs. It recalibrates the meaning of economy to be convergent with durability and with resource efficiency – eg the most durable and resource-efficient product will be the most economical product. The producers that make unwavering commitments to ensuring this recalibration will be the ones that will experience competitive advantage as a result. And that is exactly what we want: a world where the dimensions of commerce, resource efficiency, durability, sustainability, economy and competitive advantage converge to usher in a new era of prosperity for shareholders and stakeholders alike.

- *Judith Merkies MEP is a member of the European Parliament Committee on Industry, Research and Energy.*

- *Eric Lowitt is author of [The Future of Value](#)*

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