

From Protectionism to Informed Consumption: The Territorial Circular Economy Framework for Local Development and Value Retention

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Abstract

The renewed prominence of economic protectionism in the global political debate reflects a growing demand for safeguarding employment and local economies. Empirical evidence shows that coercive instruments such as tariffs and trade barriers often generate allocative inefficiencies, regulatory uncertainty, and losses in competitiveness. This article proposes an alternative, the conceptual framework of the Territorial Circular Economy (TCE), a model of economic development based on voluntary protectionism, activated through informed consumer choices in markets characterized by greater transparency. Within the TCE framework, the State acts as an enabling regulator, steering public intervention toward the reduction of information asymmetries and the regulation of commercial communication and advertising, with the aim of increasing consumer awareness of the impacts associated with purchasing locally produced goods and services. In this institutional context, a shift in consumption toward local goods and services becomes a generative economic mechanism, increasing the retention of expenditure and activating a local multiplier effect. Local firms, while benefiting from more stable demand, remain fully exposed to free competition, a condition that incentivizes investments in quality and efficiency. The paper discusses the implications of the TCE and outlines an empirical research agenda aimed at examining the role of demand in place-based development.

Keywords Place-Based Development · Information Asymmetry · Regional Resilience · Localism · Voluntary Protectionism · Market Transparency · Circular Economy

1. Introduction

In recent years, many countries have experienced a significant rise in populist and nationalist political movements, which have strongly influenced the orientation of economic policies (Jenne & Thies, 2024; Mansbach & Ferguson, 2021). A feature of these movements is the promotion of protectionist strategies, understood as instruments to safeguard domestic employment, protect local productive sectors, and reduce dependence on imported goods (Broz et al., 2021; Rodrik, 2018). In many cases, these strategies have been implemented through the introduction of tariffs, trade restrictions, and selective incentives to domestic production (Siriopoulos et al., 2025; Bertsatos & Tsounis, 2023; Zahoor et al., 2023; Gregori, 2021).

This renewed emphasis on protectionism has had significant political and economic consequences, fuelling tensions within the multilateral trading system. A paradigmatic case is represented by the United States, where the Trump administration placed trade protectionism at the core of its economic agenda. With Executive Order 14257 of April 2, 2025, the President introduced new tariffs on goods originating from selected countries, with the stated objective of strengthening domestic competitiveness (Trump, 2025). However, reactions from trading partners and repercussions for the multilateral system were immediate, contributing to a climate of

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growing economic uncertainty, sharp volatility in financial markets, and increasing fragmentation of global trade flows (Duche-Pérez et al., 2024; Grossman et al., 2024).

The economic literature has highlighted the complex relationship between trade liberalization, globalization, and social demand for economic protection. A large body of research shows that globalization is associated with rising income inequality, particularly in advanced economies and among low-skilled workers, due to wage pressures, job losses, and the weakening of labor protections (Russo, 2021; Roy-Mukherjee & Udeogu, 2020; Tomaskovic-Devey et al., 2020). In developing economies, however, this relationship is more nuanced. Globalization may reduce inequality when it is accompanied by strong institutions and inclusive policies, but it can also exacerbate disparities when its benefits are unevenly distributed (Tabash et al., 2024; Ullah et al., 2021). Rising inequality and employment insecurity have been closely linked to growing electoral support for populist and protectionist parties, particularly in regions where the gains from globalization are concentrated among economic elites (Flaherty & Rogowski, 2021). At the same time, recent analyses, such as those by Brusenbauch Meislová and Chryssogelos (2024), have highlighted the ambiguity of populist trade discourses, which are often characterized by rhetorical inconsistencies and unpredictable regulatory interventions, producing distortive effects on markets. In this regard, although traditional protectionist measures pursue defensive objectives, they frequently prove counterproductive in the medium to long period, generating risks such as declining competitiveness, economic isolation, and the deterioration of international economic relations (Yang et al., 2025; Duche-Pérez et al., 2024; Fan et al., 2022). This evidence makes it urgent to reflect on alternative ways to protect local economies and interests while avoiding autarkic tendencies and trade conflicts.

From this perspective, the present contribution proposes an alternative economic model grounded in the Territorial Circular Economy (TCE). While the circular economy literature has traditionally focused on closing material loops, improving resource efficiency, and redesigning production systems (Geissdoerfer et al., 2017; Kara et al., 2022; Kirchherr et al., 2017), it has devoted comparatively limited attention to the role of demand and consumption in shaping circular dynamics, particularly at the territorial level (Camacho-Otero et al., 2018; Santos-Corrada et al., 2024). This framework is based on the principle of voluntary protectionism, implemented not through coercive State interventions but through the informed and deliberate choices of consumers, who are considered key economic actors. Building on this gap, the paper asks the following research question:

RQ. How can informed consumer choices oriented toward local goods generate circular value retention loops, acting as a driver of territorial economic development and as an alternative to traditional protectionism in strengthening the resilience of local economic systems?

By directing demand toward locally produced goods and services, citizens can trigger a virtuous cycle of regional development, strengthening employment, innovation, and territorial cohesion. In this regard, the TCE extends the concept of circularity beyond material flows, incorporating the notion of territorial value loops, whereby economic value is retained, recirculated, and regenerated within local systems through the activation of different forms of proximity and consumption practices (Chembessi et al., 2025). The TCE framework is not intended to oppose international trade; rather, it seeks to integrate global market dynamics with the valorisation of local resources, within the perspective of a more sustainable, equitable, and territorially embedded economy. In this scenario, the State also plays a central role, not as a restrictive regulator, but as a facilitator of informed consumption, promoting civic education and transparency tools and guiding citizens toward more responsible and territorially oriented consumption choices. By explicitly linking consumption-driven local demand to circular value retention, the TCE contributes to advancing circular economy theory toward a more comprehensive, place-based and demand-inclusive framework.

The remainder of the paper is structured as follows. Section 2 reviews the relevant literature on protectionist theories and their limitations, regional development as an alternative framework, territorial consumption as a driver of local development, and circular economy approaches oriented toward the generation of territorial value loops, with the aim of identifying the main theoretical gaps and progressively building the conceptual foundations of the TCE. Section 3 develops the theoretical framework of the TCE, outlining its core mechanisms and key components. Finally, the final section discusses the implications of the model and concludes by identifying limitations and avenues for future research.

2. Theoretical background

Understanding how territorial economic systems can enhance resilience and sustain development in an increasingly globalized context requires engaging with multiple strands of literature that have traditionally been examined in isolation. This section brings these perspectives into dialogue and reinterprets them as progressive steps toward the conceptual development of the TCE (see Figure 1). It begins by revisiting protectionist theories, highlighting both their strategic rationale and their structural limitations in contemporary economic systems characterized by high levels of global interdependence. In particular, while these approaches aim to protect domestic economies, they tend to generate allocative inefficiencies, rigidities, and tensions within open economic systems, often proving inadequate in fostering long-term resilience and sustainable territorial development in an increasingly globalized context. The analysis then turns to regional development theories, emphasizing their contribution to understanding place-based growth processes, while also critically acknowledging their predominant supply-side orientation. Although relevant, this approach remains partial in the context of increasingly interconnected economies, as it tends to overlook the role of local demand and consumption practices as active drivers of resilience and adaptive capacity within territorial systems. Building on these limitations, the section explores the emerging role of territorial consumption, interpreting it as an active and generative dimension of economic processes, capable of directly shaping local development dynamics. However, this stream of literature, despite highlighting the potential of localized consumption practices, remains fragmented and lacks a coherent theoretical formalization capable of systematically explaining how such dynamics can translate into stable mechanisms of development and resilience in globalized contexts. In parallel, the circular economy literature has increasingly emphasized the importance of closing resource loops and enhancing value retention within economic systems, with recent contributions highlighting the role of localized and place-based circular practices in generating territorial value cycles, strengthening regional competitiveness, and improving the resilience of local economies. These approaches point toward the potential of circularity not only as a production-oriented paradigm, but also as a territorially embedded process capable of reinforcing local economic systems through the recirculation of value. Nevertheless, the integration between circular economy principles and demand-side dynamics, particularly in relation to consumption practices and territorial development, remains only partially explored.

This analytical progression thus reveals a theoretical gap concerning the absence of an integrated framework able to link consumption, territorial dynamics, and circular value processes in response to the challenges posed by global economic interdependence. It is precisely within this conceptual space that the TCE is positioned, as an evolutionary theoretical synthesis of the examined contributions, offering an alternative interpretative framework for fostering territorial development and resilience in a globalized economy.

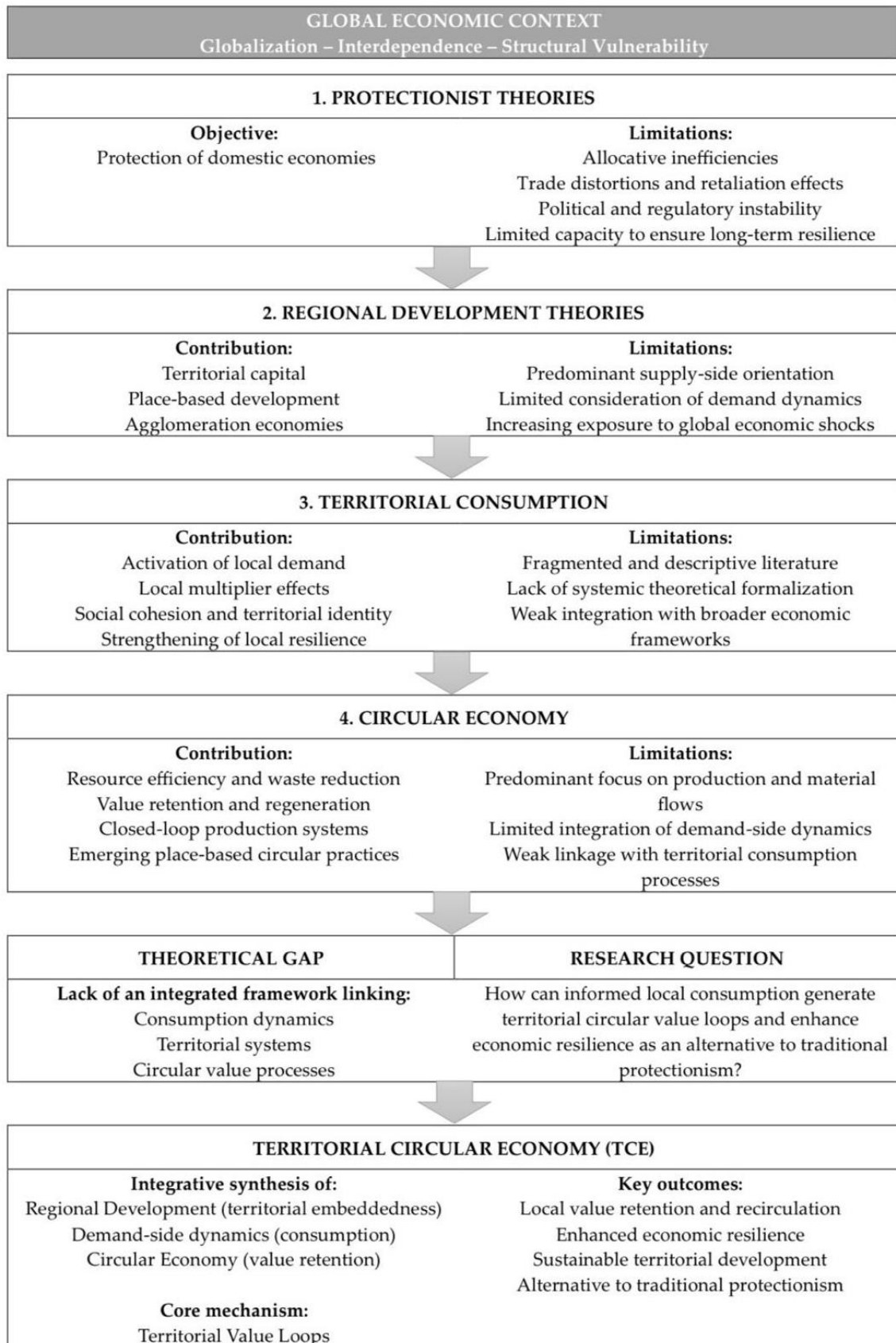


Figure 1. The figure illustrates the analytical progression, developed in this study by the author, from fragmented theoretical approaches within a globalized and interdependent economic context toward the conceptual framework of the TCE, highlighting key limitations, the resulting theoretical gap, and the role of territorially embedded and demand-driven circular value processes as an alternative to traditional protectionism for enhancing local economic resilience.

2.1. Protectionist Theories

Protectionism represents one of the oldest and most controversial traditions in economic theory, historically oscillating between strategic justifications and critiques based on inefficiency. Since the seminal contributions of Friedrich List (1841), the defense of “infant industries” through the use of tariffs has been conceived as a temporary intervention aimed at enabling immature sectors to develop technological capabilities and achieve international competitiveness. In this context, protectionism was not an end in itself, but rather a mechanism of infant industry protection designed to build economic advantages in sectors considered strategic for the State.

In contemporary economic theory, protectionist arguments have been reinterpreted in light of highly globalized contexts characterized by strong interdependence. Recent literature (Broz et al., 2021; Rodrik, 2018) has shown that globalization generates asymmetric redistributive effects, creating social demand for protection, particularly among workers and sectors exposed to foreign competition. This has led to the legitimation of tariff and non-tariff measures as instruments for safeguarding employment or ensuring national economic security.

However, empirical evidence suggests that the effectiveness of such policies is limited and often counterproductive. Protectionist measures tend to generate allocative distortions, leading to higher domestic prices, reduced product variety for consumers, and lower overall efficiency (Cheng & Wang, 2022; Mgeni et al., 2018). In the context of global value chains, the introduction of tariffs or trade restrictions can also produce boomerang effects, penalizing sectors dependent on imported inputs and creating distortions in domestic markets that ultimately burden consumers (Armella & Conti, 2020).

At the same time, contemporary protectionism is increasingly intertwined with the political dynamics of economic populism. Policies adopted in these contexts are frequently ideologically inconsistent, regulatorily unstable, and economically ineffective, functioning more as instruments of political mobilization than as coherent development strategies (Brusenbauch Meislová & Chryssogelos, 2024). As a result, regulatory uncertainty increases and economic actors’ confidence deteriorates, with negative effects on investment and international cooperation (Hopewell, 2023).

In summary, while protectionism retains a theoretical role in the strategic defense of key sectors of the national economy and in addressing negative externalities associated with globalization, its empirical application appears increasingly limited and inefficient in an interconnected economic system. This opens the way for the exploration of alternative models for protecting and valorising local economies that are less conflictual and more compatible with multilateralism and international economic cooperation.

2.2. Regional Development Theories as an Alternative Response to Protectionism

Alongside the crisis of legitimacy and effectiveness of traditional protectionism, theories of regional development have emerged as an important alternative analytical framework, emphasizing the territorial dimension as an endogenous driver of economic growth and competitiveness. Since the 1990s, concepts such as territorial capital and endogenous development have highlighted the role of a territory’s intangible resources, such as social capital, cooperative networks, and cultural assets, as key determinants of local growth trajectories (Camagni & Capello, 2013).

Territorial capital has been defined as an integrated system of material and immaterial, economic, social, institutional, and environmental assets that contributes to the development potential of an area and to the strengthening of its competitiveness (Perucca, 2014). This approach represents a departure from neoclassical models based on spatial equilibrium, by recognizing the historical, institutional, and relational specificity of local contexts as a crucial source of competitive differentiation (Camagni & Capello, 2013; Camagni, 2008).

A significant contribution to this line of thought derives from theories of industrial districts and agglomeration economies, which emphasize the advantages arising from geographical proximity, economies of scale, and network externalities (Becattini, 2017; Fujita & Thisse, 1996). However, these approaches have also been criticized for offering an overly optimistic representation of local dynamics. In particular, Pike et al. (2007) show how globalization and financialization processes have increased the dependence of local economies on global capital flows, thereby reducing the autonomous capacity of territories to sustain endogenous development models.

In response to these limitations, more recent studies have placed greater emphasis on the concept of regional resilience, understood as the ability of territories to withstand, adapt to, and reorient themselves in response to external shocks, integrating vulnerability and transformative capacity into local economic development processes (Boschma, 2015; Martin & Sunley, 2015). Accordingly, territorial capital emerges as a key instrument for activating latent resources and strengthening regional competitiveness, thanks to an enhanced capacity to respond to economic shocks and to sustain competitive performance over time (Fratesi & Perucca, 2018).

Despite these advances, a common limitation in the regional development literature lies in its strong supply-side bias. Much of the research focuses on production systems and innovation infrastructures as the main engines of development, while domestic demand, and particularly local consumption practices, is often treated as an exogenous variable. More recent contributions instead argue for the need to integrate demand- and consumption-side dimensions in order to fully understand endogenous development dynamics, especially from the perspective of sustainability and social cohesion (Martin & Martin, 2023; Martin et al., 2019).

Moving beyond exclusively supply-driven models opens the way to a theoretical rethinking that recognizes the active role of local demand in development processes. Integrating insights from endogenous development with an analysis of territorial economic practices and consumer behaviour allows territorial resilience and development to be interpreted as outcomes of complex interactions among production, consumption, and local identity.

2.3. Regional Consumption as a Lever for Development

Within the context of the economic and social transformations of the past two decades, territorial consumption has emerged as a crucial dimension for understanding local development dynamics. Concepts such as short supply chains, zero-kilometre production, and local embeddedness have gained increasing prominence in academic debates and policy practices, highlighting the potential of consumption choices to strengthen territorial resilience and the socio-economic sustainability of local economies (Filippini et al., 2023; Reina-Usuga et al., 2023; Yacamán Ochoa et al., 2020).

Unlike traditional approaches that assigned consumption a residual role relative to productive supply, the territorial consumption paradigm recognizes citizens–consumers as active agents in the regulation of local economic systems. A growing body of recent studies shows that consumption choices oriented towards territorially rooted goods and services, particularly through short supply chains and local food systems, generate positive externalities, including increased local employment, support for local incomes and productive activities, social innovation, stronger community cohesion, and enhanced resilience of local systems (Sciortino et al., 2025; Corvo et al., 2021; Jarzębowski et al., 2020).

Consumption also acquires a meaning that goes beyond its purely utilitarian dimension, incorporating cultural, identity-based, and symbolic elements. In this sense, the geography of consumption interprets consumption processes as relational phenomena, in which choices are co-constructed through place identities, social relations, and symbolic meanings associated with the territory (Aspers & le Grand, 2025). Similarly, empirical studies on the consumption of local products show that territorial identity and positive attitudes towards place-based goods increase consumers' purchase intentions, highlighting the emotional and cultural ties between communities and local products and contributing to the economic valorisation of territories (del Castillo et al., 2024).

A substantial body of evidence further indicates that consumption expenditures directed towards local goods and services generate significant multiplier effects within the territorial economy. Analyses based on regional input-output models and local multiplier methods show that an increase in internal demand translates into direct, indirect, and induced effects within the same area, raising local income, economic output, and employment through spending chains that affect multiple sectors of the local economy (Filippini et al., 2023; Benedek et al., 2020).

Despite its growing empirical relevance, territorial consumption remains weakly formalized at the theoretical level. The literature is still fragmented and largely descriptive, with limited capacity to model the interactions between local demand, territorial capital, and sustainable development. It is within this conceptual gap that the proposed framework of the TCE is positioned, interpreting consumption not as a passive variable, but as a strategic driver of bottom-up economic regulation, innovation, and cohesion, capable of integrating sustainability, proximity, and territorial value.

2.4. Circular Economy and Territorial Value Loops

The growing relevance of territorial consumption as a driver of local development finds a natural point of convergence with the circular economy literature, which has increasingly emphasized the importance of value retention, resource efficiency, and regenerative economic processes. While early circular economy contributions primarily focused on closing material loops within production systems (Ghisellini et al., 2016; Gingga et al., 2020; Merli et al., 2017; Stahel, 2016), more recent studies have highlighted the critical role of territorial factors, such as local resources, agglomeration economies, infrastructure, knowledge networks, and governance arrangements, in shaping circular dynamics at the regional level (Bassi et al., 2021; Chembessi et al., 2025; Tapia et al., 2021).

Within this evolving perspective, circular economy transitions are no longer interpreted solely as technological or industrial processes, but as territorially embedded transformations that involve multiple actors and socio-economic dimensions. In particular, place-based approaches to circular economy underline how localized systems can foster more resilient and adaptive economic structures by leveraging proximity, collaboration, and institutional coordination (Deutz et al., 2024; Howard et al., 2022). These dynamics contribute to strengthening regional competitiveness by enhancing firms' capacity to innovate, co-create knowledge, and respond to sustainability challenges within localized ecosystems (Rehman et al., 2023; Sverko Grdic et al., 2020).

At the same time, an emerging stream of research highlights the importance of demand-side factors in enabling and sustaining circular economy models. Although still underdeveloped compared to supply-side approaches, studies show that consumer awareness, ethical purchasing behaviour, and preferences for sustainable products play a crucial role in shaping demand for circular goods and services (Keshavarz et al., 2025; Santos-Corrada et al., 2024). Consumption is not merely a passive outcome of production systems, but an active driver capable of influencing market structures and supporting the diffusion of circular business models.

Integrating demand-side factors with territorial characteristics is essential for advancing CE transitions that are both place-sensitive and consumer-inclusive (Bourdin & Torre, 2025; Tapia et al., 2021). In this regard, circular economy initiatives foster territorial value by activating various forms of proximity, geographical, relational, and institutional, that strengthen local socio-economic networks, enhance knowledge co-creation, and improve firms' adaptability and competitiveness in sustainability transitions (Chembessi et al., 2024, 2025). In this way, territorial value is linked to collective processes involving diverse actors mobilizing local resources and capturing positive social externalities, thus overcoming firm-centered value approaches and supporting ecological transition and territorial development (Chembessi et al., 2021). Territorial factors such as land endowment, agglomeration economies, infrastructure, technology access, knowledge sharing, and governance arrangements shape closed-loop systems that enable circular transformations at the regional level (Tapia et al., 2021). Overall, integrating circular economy with territorial governance and place-based policies is crucial for embedding circularity in local economic ecosystems and sustaining territorial resilience and well-being (Bourdin & Torre, 2025; Gamidullaeva et al., 2022).

Despite these advances, the integration between circular economy principles, territorial dynamics, and demand-side mechanisms remains only partially developed. In particular, the literature still lacks a coherent theoretical framework capable of systematically explaining how localized consumption practices can activate and sustain territorial value loops within circular economic systems. This limitation highlights the need for a more comprehensive conceptual model that connects circularity, consumption, and territorial development, paving the way for the formulation of the TCE.

2.5. Towards the TCE Framework

Despite the growing attention devoted to local consumption, the literature still lacks a unified theoretical framework capable of formalizing the link between territorially embedded consumption preferences and the structural dynamics of regional development. Existing approaches remain largely sectoral, failing to provide a systematic model explaining how consumer choices can generate endogenous economic circuits and contribute in a stable way to territorial resilience.

The TCE is positioned within this conceptual gap, proposing an original synthesis of economic localism, civil economy, and evolutionary theories of regional development. More specifically, the TCE can be interpreted as an extension of circular economy theory, integrating its core principles of value retention and

regeneration with a demand-side and place-based perspective that has remained underdeveloped in the circular economy literature.

The TCE introduces the idea of voluntary protectionism exercised through demand-side mechanisms, whereby consumption preferences oriented towards local goods and services function as instruments of endogenous market regulation. In this sense, consumers are not residual actors but genuine regulatory agents, whose role is expressed through a process of market selection that valorises territorial resources and reduces exposure to the vulnerabilities associated with global flows.

Compared to coercive, state-led protectionism, the TCE avoids the allocative inefficiencies typically associated with tariffs and trade barriers, configuring itself as a form of soft protectionism based on the self-selection of internal demand. Within this framework, circularity is reinterpreted not only as the closure of material loops, as in conventional CE approaches, but as the retention and recirculation of economic value within territorially embedded systems, which can be defined as territorial value loops. These circular dynamics are understood as territorial processes through which value, demand, and productive capacities are continuously retained and regenerated within local economic systems, generating self-reinforcing mechanisms of local development (Bassi et al., 2021; Tapia et al., 2021). This perspective complements and expands existing CE models by incorporating spatial embeddedness, local demand dynamics, and socio-economic interactions as key dimensions of circular processes. In this way, the concept of circularity extends beyond the closure of material loops, as in the conventional interpretation of circular economy, to encompass the valorisation of socio-economic relations within the community that regenerate local value, strengthen territorially rooted economies, and enhance their capacity to adapt, innovate, and create shared value.

The TCE also differs from classical regional theories, which have traditionally emphasized productive supply and agglomeration economies (Becattini, 2017; Fujita & Thisse, 1996), by placing local demand at the center of the development process. This approach allows territorial development to be conceived as a regenerative process, in which collective and locally embedded consumption practices become key levers of growth, reinforcing economic resilience and the ability of territories to renew themselves through their endogenous resources. In this sense, the TCE framework contributes to bridging circular economy and regional development literature by explicitly linking circular value dynamics to territorial resilience and place-based development processes.

From a normative point of view, the TCE assigns the State a complementary rather than substitutive role. The State is not conceived as a restrictive regulator, but as an institutional facilitator capable of promoting informational transparency, civic education, and territorial labelling instruments.

In summary, the conceptual framework of the TCE represents an innovative proposal for overcoming the dichotomy between protectionism and globalization, articulating a model in which informed local consumption becomes a strategic lever for economic resilience, environmental sustainability, and social cohesion. By extending circular economy theory towards a demand-driven and territorially embedded perspective, the TCE provides a novel framework for understanding how circularity can operate not only through production systems, but also through consumption practices and localized economic interactions.

3. Foundations of the TCE Conceptual Framework

The TCE framework, whose conceptual model is illustrated in Figure 2, builds upon established reflections on endogenous development (Barca et al., 2012; Stöhr, 1980) and territorial capital (Camagni, 2008), while innovating this conceptual framework by placing informed local demand at the center as a strategic lever for sustainable and resilient development. It also draws on the foundational principles of circular economy, particularly those related to value retention, regeneration, and the creation of closed-loop systems, extending them from a predominantly production-oriented perspective to a territorially embedded and demand-driven framework (Chembessi et al., 2021, 2024, 2025; Keshavarz et al., 2025; Santos-Corrada et al., 2024).

The theoretical premise of the TCE rests on some key observations. First, traditional protectionist policies, although motivated by objectives of economic defense, often prove to be distortive, unstable, and counterproductive in the medium term, generating allocative inefficiencies and trade tensions (Hopewell, 2023; Rodrik, 2018). Second, regional development theories, while recognizing the role of endogenous resources and local institutions, have historically privileged supply-side analysis, neglecting internal demand and localized consumption practices as strategic variables in processes of economic regulation (Martin &

Martin, 2023; Grandclement & Grondeau, 2021). Similarly, circular economy research, while advancing the understanding of sustainable production systems and material recirculation, has predominantly emphasized technological innovation, industrial symbiosis, and resource efficiency, often underestimating the role of consumers and localized demand in activating and sustaining circular dynamics (Kirchherr et al., 2017; Lieder & Rashid, 2016; Camacho-Otero et al., 2018; Santos-Corrada et al., 2024).

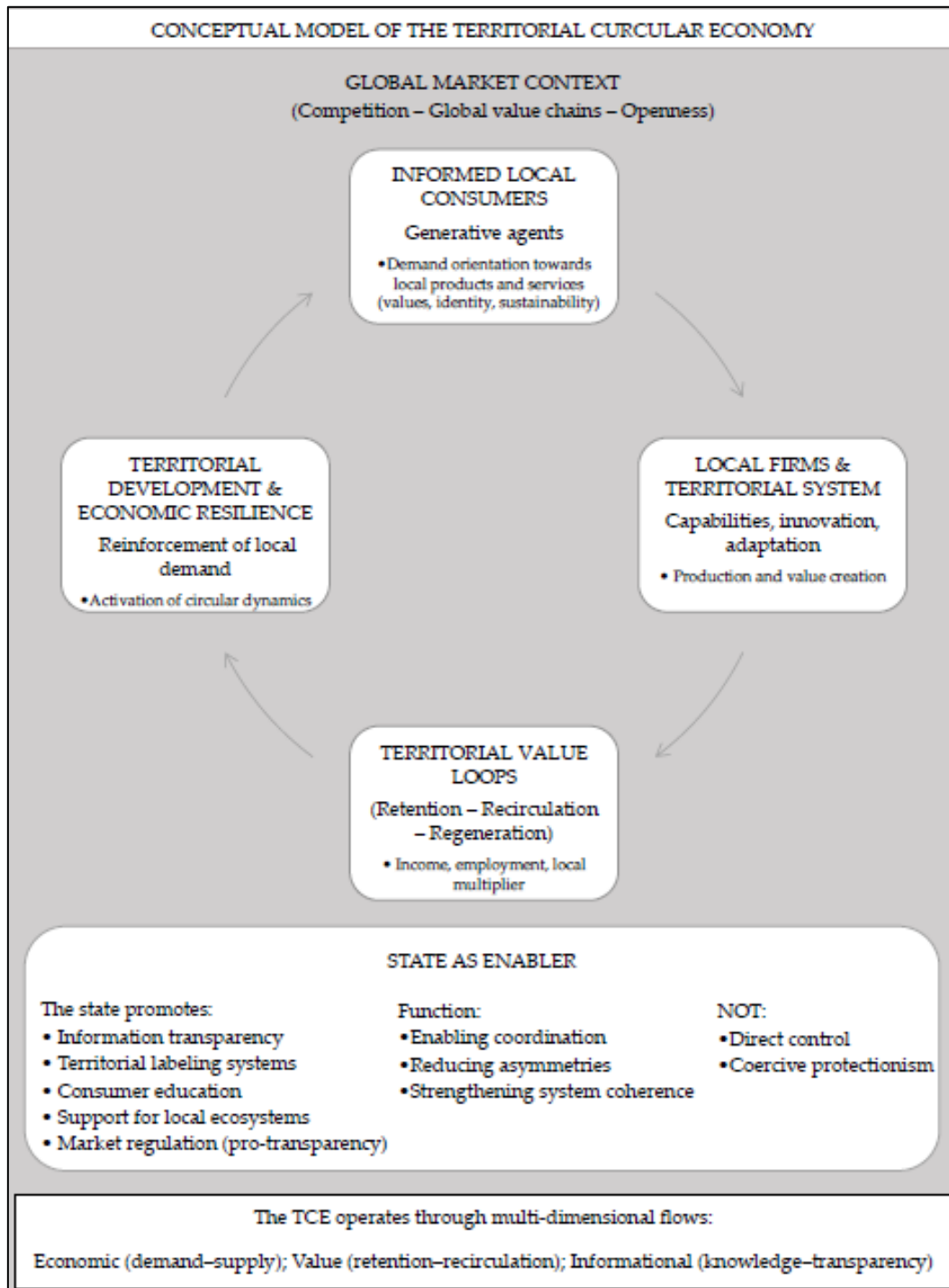


Figure 2. The figure illustrates the conceptual model of TCE, showing the dynamic interactions between informed local consumers, territorial firms, and value retention processes within a circular and territorially embedded system. Through territorial value loops, local demand, production, and income generation reinforce each other over time, fostering economic resilience and sustainable development. The model operates within an open global market context and is supported by an enabling institutional layer, where the State facilitates coordination, reduces information asymmetries, and promotes informed consumption towards local products and services without resorting to coercive protectionism.

The TCE proposes an alternative model based on voluntary protectionism grounded in the free choice of citizens-consumers, who orient demand not only according to price or brand criteria, but also in relation to the social, environmental, and cultural value of local goods and services. From this standpoint, territorial consumption does not represent an episodic or purely identity-based act, but rather a structural strategy of economic regulation capable of activating cumulative development dynamics (Kato et al., 2022) and strengthening employment, innovation, and territorial cohesion. This perspective is consistent with emerging strands of circular economy research that increasingly recognize the role of consumption practices, user behaviour, and social innovation as key enabling factors for circular transitions, particularly within localized and place-based economic systems (Camacho-Otero et al., 2018; Murray et al., 2017). However, the TCE goes further by conceptualizing consumption not only as a supporting element of circularity, but as a primary driver of territorially embedded value retention processes.

The innovative element of the TCE lies in the redistribution of the regulatory role. Neither global markets nor the State hold a monopoly over economic coordination. Instead, governance functions are co-managed by public institutions, local firms, and citizens-consumers, configuring a model of institutional polycentrism. This configuration generates a networked and circular socio-economic system in which value circulation is territorially embedded and sustained by collective consumption practices and local cooperation. In this sense, the TCE contributes to advancing circular economy theory by integrating its systemic perspective with a polycentric and place-based governance approach, where circularity is not only a function of production systems, but also of coordinated interactions among local actors, institutions, and consumers within territorially bounded economic ecosystems. The TCE thus represents a systemic and multi-dimensional framework, structured around interconnected economic (demand–supply), value (retention–recirculation), and informational (knowledge–transparency) flows that collectively shape the dynamics of territorial development and resilience.

3.1. The Consumer as a Generative Economic Agent

Within the TCE framework, the consumer is conceptualized as a generative economic agent, capable of directly influencing the structure of production and the orientation of local development. The act of purchasing thus acquires a deliberative and political dimension, taking the form of economic citizenship, whereby market choices become instruments through which citizens express ethical, social, and environmental values, while simultaneously contributing to market regulation and the construction of sustainable economic models (Binnuri & Rajanikanth, 2024; Roberts & Chandra, 2024; Copeland & Boulianne, 2020; Boström et al., 2019).

Moreover, local consumption represents a social and cultural practice with high symbolic intensity, in which factors such as perceived authenticity, territorial origin, trust in local producers, and a sense of belonging significantly influence purchasing decisions. A substantial body of research shows that the link between place identity and consumption behaviour fosters pro-social attitudes and a stronger propensity towards territorially embedded goods and services, activating dynamics of proximity and reciprocity that reinforce community cohesion and social capital (Banerjee & Quinn, 2025; Graciotti & Balzano, 2025). From this perspective, the local is not limited to a geographic definition but is understood as a relational and identity-based dimension, capable of reorienting markets according to logics of trust, cooperation, and shared sustainability. Local consumption, thus conceived, becomes a driver of social innovation and territorial regeneration, contributing to the accumulation of territorial capital and to the strengthening of the economic and social resilience of communities.

3.2. Rebalancing Market Information

For consumers to fully exercise their role as generative economic agents, it is necessary to rebalance the informational context within which economic choices are made. The visibility and marketing strategies of global brands often lead to an overexposure of these products in markets, reinforcing perceived brand globalness, that is the perception of a brand as familiar, prestigious, and widely accessible, relative to local alternatives. This dynamic reduces the symbolic and cognitive competitiveness of territorially embedded brands and significantly influences consumer preferences (Safeer et al., 2022; Liu et al., 2021). The primary risk faced by local brands lies in commercial pressure from large firms that, through massive investments and a constant flow of new products, seek to expand market dominance and deeply shape consumer lifestyles and

consumption ideologies (Safeer et al., 2022). In the absence of equitable access to information, consumers remain vulnerable to incomplete or distorted perceptions of product quality, origin, and socio-environmental impacts, undermining their ability to make informed choices.

The TCE framework does not advocate for authoritarian restrictions on communication, but rather for a cognitive rebalancing based on the creation of conditions of informational transparency that ensure equal communicative opportunities for local producers. The objective is to reduce information asymmetry, particularly in contexts where quality attributes are not observable prior to purchase.

A first axis of intervention concerns education and territorial economic literacy, understood as the development of critical skills related to market mechanisms, product sustainability, socio-territorial impacts of production, and the interpretation of market information. Research in consumer behaviour shows that higher levels of market information literacy enhance consumers' ability to interpret signals and quality attributes and to formulate preferences consistent with social and environmental objectives, thereby reducing cognitive biases and vulnerability to persuasive marketing tactics (Chamcham et al., 2024; Yang et al., 2024; Ran et al., 2022).

In parallel, the development of territorial information infrastructures and platforms, including integrated promotion and sales platforms for local products and territorial labelling systems incorporating origin certifications, verifiable sustainability standards, and digital traceability, can help mitigate the information asymmetries typical of contemporary markets.

Finally, communication governance and pro-transparency advertising policies represent complementary regulatory tools. Rather than restricting advertising per se, the aim is to enhance the disclosure of relevant information, such as geographic origin, environmental impact, and contribution to local employment. This approach can help correct informational failures by reducing the cognitive distortion created by asymmetric advertising investments of large brands, while enabling consumers to express territorially informed preferences without directly interfering with prices, as traditional tariffs would do.

3.3. Territorial Firm Capabilities: Valorising Resources between Tradition and Innovation

One of the central assumptions of the conceptual framework of the TCE is the recognition of the territory not merely as a geographic space, but as a dynamic productive system capable of activating and regenerating its resources through embedded yet adaptive business processes. Accordingly, the resilience and sustainability of a local economy depend not only on internal demand or consumers' civic commitment, but also on the ability of local firms to valorise material and immaterial resources in innovative and competitive ways.

This territorial firm capability is articulated around four core functions: (i) continuous training, (ii) applied research and knowledge co-creation, (iii) productive reorganization and business model innovation, and (iv) valorisation of territorial skills and material and immaterial resources. Within a place-based development perspective, these functions are consistent with evidence showing that territorial competitiveness crucially depends on the capacity of local systems to innovate, learn, and reconfigure assets and relationships in response to shocks and transitions (Isaksen et al., 2022).

Training represents a key element for the development of technical, managerial, and cultural skills that enable firms to operate in alignment with territorial values while simultaneously capturing opportunities arising from technological progress. Training is not confined to human capital within firms, but extends to the entire territorial ecosystem, including schools, universities, research centers, public institutions, and professional associations, which collectively contribute to the construction of knowledge bases and collective learning capacities typical of regional innovation systems (Fernandes et al., 2021). Comparative evidence further indicates that investment in lifelong learning is associated with higher competitiveness and innovative potential, thus representing a long-term investment in territorial economic development (Kuzior et al., 2023).

Research plays a central role in fostering innovation processes capable of combining productive traditions, new technologies, environmental sustainability, and emerging consumer needs. Rather than imitating exogenous models, the focus is on developing solutions coherent with local specificities and with the constraints and opportunities of the regional asset base. Evidence from the literature on regional innovation systems highlights the role of universities and intermediary infrastructures (such as science parks) in facilitating knowledge co-creation, brokerage, and diffusion in a territorial and entrepreneurial context (Theeranattapong et al., 2021).

The adaptation of productive structures represents the dynamic dimension of firms within a territory. In turbulent market environments, firms must be able to reorganize processes, redefine business models, and diversify their offerings, maintaining continuity with their identity while incorporating innovations consistent with territorial and market trajectories. Management and innovation studies emphasize that resilience and performance in times of crisis depend on firms' ability to activate dynamic capabilities and collaborative practices, such as open innovation, to reconfigure their resources (Vasi et al., 2024).

Finally, the valorisation of territorial skills and material and immaterial resources concerns firms' ability to transform corporate assets, tacit knowledge, relational capital, reputation, and local specificities into sustainable economic value. In this perspective, the territory acts as a resource platform that enables firm development trajectories by providing cognitive, institutional, and relational assets that are difficult to replicate elsewhere (Camagni, 2008; Maskell & Malmberg, 1999). Moreover, the immaterial resources of a territory play a crucial role in the creation of sustainable competitive advantages, as they strengthen firms' capacity to innovate in a context-specific manner and to differentiate themselves in markets (Castaldi & Mendonça, 2024).

Within the theoretical framework of the TCE, the territory thus becomes a permanent laboratory of learning and transformation, where the memory of traditional practices does not constitute a barrier to change, but rather a cultural resource from which original evolutionary trajectories can be imagined. The valorisation of local heritage does not imply closure or conservatism, but instead represents a dynamic process capable of generating goods and services that respond to both internal and global demand without sacrificing territorial authenticity.

Ultimately, territorial firm capability emerges as a strategic factor of resilience and competitiveness, enabling local demand to be transformed into a lever of structural development and conscious consumption into a force of economic orientation. In this sense, productive and cultural dimensions intertwine within an economic model that combines rootedness and openness, tradition and progress, identity and innovation.

3.4. The Territorial Demand–Supply Cycle and the Multiplier Effect

Within the framework of the TCE, informed local consumption triggers a mechanism of value retention and recirculation within the territory. By orienting demand towards locally produced goods and services, consumers increase the share of expenditure retained in the local economy and activate cumulative dynamics consistent with the concept of the local multiplier developed in contemporary regional economics literature (Kłoczko-Gajewska et al., 2023; Benedek et al., 2020). From this viewpoint, the circularity of the TCE concerns the monetary and productive circulation that strengthens the territory's capacity to internalize the effects of local demand. Within the TCE conceptual framework, circular dynamics refer to the processes through which local demand, production, income generation, value retention, and reinvestment continuously reinforce one another within territorially embedded economic systems. Unlike conventional circular economy approaches primarily focused on material recirculation (Ghisellini et al., 2016; Merli et al., 2017), the TCE extends the concept of circularity to a multi-dimensional process involving economic, social, and informational flows that contribute to territorial resilience and local value.

An increase in demand translates into higher turnover for firms that, when endowed with adequate skills and productive capacity, respond through investments in quality improvement and innovation (Romero et al., 2023). This process expands the local wage base and fuels further rounds of local spending, generating direct, indirect, and induced effects within the territorial economy (Kłoczko-Gajewska et al., 2023; Benedek et al., 2020). At the same time, sustained growth in local demand can stimulate the creation of new firms and the consolidation of existing SMEs, contributing to the diversification of the territorial productive structure required to meet expanding regional demand (Kłoczko-Gajewska et al., 2023; Benedek et al., 2020).

3.5. Balancing Voluntary Protectionism and Free Competition

The TCE explicitly departs from both closed-economy models and forms of coercive protectionism imposed by public authorities. Instead, it is grounded in a dynamic balance between competitive openness and voluntary local preference, in which consumers' choices in favor of territorial goods and services do not arise from regulatory constraints, but from informed awareness, transparency regarding product origin, and an evaluation of the economic and social effects of their consumption decisions. This approach preserves the allocative benefits of external competition while avoiding the well-known risks of inefficiency and technological

stagnation associated with artificially protected markets. In this regard, recent economic literature emphasizes that more competitive markets tend to foster allocative and productive efficiency among firms, as the threat of market share loss incentivizes cost optimization, investment in new technologies, and improvements in processes and products (Mairesse et al., 2025).

Within this framework, the role of the State is not to replace the market, but to act as an institutional facilitator and guarantor of the proper functioning of the territorial economy. Selective fiscal instruments, such as tax credits for firms that activate local supply chains or incentives for consumers purchasing goods certified as regionally produced, can reinforce the circular dynamics of the economy. These measures should be complemented by information-protection policies, including origin labelling systems, regulation of commercial communication, and the valorisation and promotion of territorial products, with the aim of reducing information asymmetries and enabling consumption choices that are more efficient from a collective perspective. Such policies are likely to be particularly effective when integrated with regional structural funds aimed at strengthening local innovative and productive capacity, in line with the place-based approach that characterizes the new European Union cohesion policy (European Commission, 2025). In this sense, public intervention does not focus on supporting individual sectors or instruments, but seeks to create systemic conditions conducive to territorial development by tailoring fiscal, regulatory, and financial tools to the economic, institutional, and social specificities of territories.

4. Conclusions: Towards a New Economic Paradigm Based on Responsible and Territorial Consumption

The conceptual framework of the TCE emerges as an innovative and integrated model of economic development in which informed local consumption does not represent an episodic or ideological choice, but rather a regulatory and generative device capable of orienting the entire productive system towards more sustainable, resilient, and territorially embedded trajectories. In this perspective, the TCE can be interpreted as an extension of circular economy theory, building on its core principles of value retention, regeneration, and systemic efficiency, while expanding its analytical focus beyond production systems and material loops to include demand-side dynamics and territorial value processes.

Unlike traditional protectionist policies, which rely on coercive instruments and a defensive vision of the economy, the TCE proposes a form of voluntary and democratic protectionism exercised through the preferences of informed consumers. This approach does not aim at market closure, but at the internalization of relational, environmental, and identity-based values within economic behaviour, thereby strengthening the strategic autonomy of territories without renouncing their connection to the global economic space. By reinterpreting circularity as a process of territorial value retention and recirculation, which can be defined as territorial value loops, the TCE complements existing circular economy models, by incorporating territorial embeddedness, local demand, and socio-economic interactions as key dimensions of circular systems.

4.1. Theoretical Implications

At the theoretical level, the TCE contributes directly to core debates in the circular economy literature by extending circularity beyond its dominant production-oriented and material-flow interpretation. Circular economy research has often conceptualized circularity through the reduction, reuse, recycling, repair, remanufacturing, and recovery of products and materials, while the systemic, social, cultural, territorial, and demand-side dimensions of circular transitions remain less developed (Bassi et al., 2021; Kirchherr et al., 2017; Russell & Nasr, 2023). This limitation is also confirmed by more recent literature, which shows that circular economy remains strongly associated with technical, resource-efficiency, and business-model approaches, despite growing calls for broader socio-economic and territorial interpretations (Mies & Gold, 2021; Tapia et al., 2021; Valencia et al., 2023).

First, the TCE extends circular economy theory by repositioning the consumer from a downstream user of circular products to a generative economic agent. Existing studies on consumption in the circular economy show that consumers are often treated mainly as adopters, users, recyclers, or providers of waste streams, while the pre-purchase phase, demand formation, and the socio-cultural meaning of consumption remain

underexplored (Camacho-Otero et al., 2018; Keshavarz et al., 2025; Vidal-Ayuso et al., 2023). The TCE challenges this view by arguing that informed local consumption can actively shape circular dynamics before the product-use phase, by orienting demand towards territorially embedded goods and services and by activating local value-retention mechanisms.

Second, the TCE contributes to the emerging debate on the territorialization of the circular economy. Recent research argues that circular economy cannot be understood only as a firm-level or sectoral strategy, because circular transitions depend on place-specific resources, proximities, infrastructures, governance arrangements, and local actor networks (Bourdin & Torre, 2025; Chembessi et al., 2024; Tapia et al., 2021). The TCE advances this debate by introducing territorial value loops, defined as circular processes through which demand, production, income, knowledge, and territorial capabilities are retained and regenerated within local economic systems.

Third, the TCE broadens the concept of value retention. In dominant circular economy debates, value retention is usually associated with products and materials through reuse, repair, remanufacturing, refurbishment, and recycling strategies (Reike et al., 2018; Stahel, 2016). The TCE does not reject this interpretation, but extends it by arguing that circular value can also be socio-economic and territorial. The value, in fact, is retained when local expenditure supports local firms, employment, skills, social capital, territorial identity, and adaptive capacity. In this sense, the TCE shifts circular economy theory from a narrow material-retention logic towards a broader territorial-retention logic.

Fourth, the TCE challenges the assumption that firms, technologies, or regulatory frameworks primarily drive circular economy transitions. Recent studies increasingly emphasize stakeholder engagement, communities, cultural factors, and governance as essential components of circular economy transitions (Iacovidou et al., 2021; Salvioni & Almici, 2020; Tan et al., 2022). The TCE builds on this debate by proposing a polycentric model in which consumers, firms, public institutions, and territorial intermediaries jointly govern circular value processes through transparency, informed demand, territorial labelling, and local productive capabilities.

Overall, the TCE contributes to circular economy theory by extending circularity from material loops to territorial value loops, from production systems to demand-driven systems, and from firm-centered value creation to place-based value regeneration. In doing so, it responds directly to the gaps identified in the circular literature and offers a conceptual framework that connects circular economy, informed consumption, territorial development, and regional resilience.

4.2. Managerial Implications

For firms, particularly SMEs, the TCE model suggests that territorial competitiveness does not stem solely from cost advantages or scale, but from the ability to transform proximity, trust, reputation, and context-specific knowledge into sources of differentiation. These include certifiable quality, authenticity, traceability, relational services, and innovation aligned with territorial values. From this perspective, growth in local demand can act as a market signal that incentivizes investments in qualitative upgrading and innovation, strengthening dynamic capabilities and reinforcing collaborative practices within local value chains.

To stabilize this mechanism over time, firm strategies should focus on: (i) supply-chain cooperation and local sourcing to maximize value retention; (ii) territorial platforms and distribution channels; and (iii) collective reputation governance, such as territorial brands, certifications, and guarantee systems. Evidence from short supply chains shows that revenue retention and subsequent rounds of spending are higher when inputs and labor are predominantly local, with effects that can be measured using local multiplier indicators such as LM3 (Kłoczko-Gajewska et al., 2024).

4.3. Social and Environmental Implications

From a social viewpoint, the TCE is consistent with the view that local consumption can generate positive externalities in terms of employment, income stability, and community cohesion, as higher expenditure retention fuels income and demand cycles and supports the vitality of local economies (Kłoczko-Gajewska et al., 2024; Benedek et al., 2020). From an environmental perspective, the conceptual model does not assume that local automatically implies greater sustainability. Rather, it advances a necessary condition: the orientation of demand towards territorial goods must be accompanied by verifiable standards, such as environmental

footprints and production practices, and by informational transparency. Under these conditions, local demand can support transitions towards more efficient and lower-impact production systems, avoiding outcomes of greenwashing or merely symbolic localism.

4.4. Policy Implications

The policy implications of the TCE are particularly relevant, as they outline non-coercive instruments compatible with an open economy. First, priority should be given to reducing information asymmetries that prevent consumers from making territorially informed choices, through tools such as adequate education and training, transparency standards on product origin, territorial labelling, supply-chain traceability, and the regulation of marketing and advertising practices. This is crucial because informational opacity generates inefficiencies and distortions in consumer choices (Socoliuc et al., 2022). In addition, place-based policies should support local productive capacity, through innovation, skills development, and intermediary infrastructures, to prevent increases in demand from translating into local inflation or substitution with non-local products. Finally, territorial policies and programs can be evaluated using local multiplier metrics, which are useful for monitoring how much public and private spending is retained and re-spent within the territory.

4.5. Limitations and Directions for Future Research

This contribution is theoretical in nature and calls for empirical validation. Future research could: (i) formalize the TCE within a micro-founded demand model incorporating preferences for territorial attributes and informational constraints; (ii) estimate the impact of the TCE using quasi-experimental designs and regional input–output models; and (iii) identify conditions of effectiveness and potential trade-offs. In summary, the conceptual framework offers a theoretically grounded and policy-relevant pathway for enhancing territorial development without resorting to coercive protectionism, shifting the center of economic regulation towards informed consumption, evolving territorial entrepreneurial capabilities, and transparent governance of local markets.

Ultimately, the TCE is not merely a technical response to the crises of global capitalism, but a theoretical extension of circular economy thinking grounded in the idea that citizens, through their everyday choices, can actively contribute to the construction of a more just, balanced, and place-anchored economy.

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Declarations

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