

CHAPTER 1

Doing Better with Less

In its March 2023 report, the World Bank warned that the economic forces that powered progress and prosperity over the last three decades are vanishing: “Between 2022 and 2030 average global potential GDP growth is expected to decline by roughly a third from the rate that prevailed in the first decade of this century – to 2.2% a year. For developing economies, the decline will be equally steep: from 6% a year between 2000 and 2010 to 4% a year over the remainder of this decade. These declines would be much steeper in the event of a global financial crisis or a recession.”¹

“A lost decade could be in the making for the global economy,” presages Indermit Gill, chief economist of the World Bank.

The bank also offers suggestions for reversing this decline. “The global economy’s speed limit can be raised – through policies that incentivize work, increase productivity, and accelerate investment.”²

Unfortunately, these suggestions focus on increasing *quantitatively* the economic growth of nations – as measured by GDP – without improving the *quality* of growth.

Today, we are all aware that the current growth model is not effective because it overexploits and depletes natural resources – aggravating climate change – and excludes people – worsening social inequalities. See Figure 1.1.

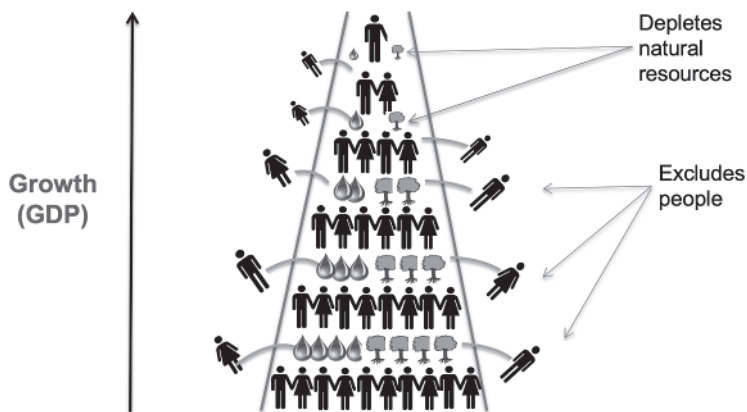


Figure 1.1 Today's growth model is not working because it excludes people and depletes resources.

Here is some shocking evidence to the fact that today's growth model is not working:

- ◆ In 2023, Earth Overshoot Day (EOD) – the date when humanity's demand for ecological resources and services in a given year exceeds what Earth can regenerate in that year – was on August 2.³ In 2003, the EOD was September 12. We are borrowing (stealing, actually) more and more from our (ecological) future to fuel our economic growth, which is not sustainable.
- ◆ In the US, the richest economy in the world, 56% of adults are unable to cover a \$1,000 emergency expense, according to Bankrate's 2024 annual emergency savings report.⁴ In Europe, nearly 100 million citizens are at risk of poverty and social exclusion, which is about 22% of the total population.⁵
- ◆ In France, a disabled person today is three times less likely than others to find a job. Female entrepreneurs are 63% less likely than men to obtain venture capital (VC) financing.⁶ In the US, black women receive less than 0.35% of all VC funding.⁷

Given this bleak scenario, experts are coming up with alternative growth models that claim to be more virtuous. A popular alternative much touted today is *decoupling*, whereby “continued

growth in the economy is accompanied by a further contraction in CO₂ emissions.”⁸

This so-called green growth model based on decoupling calls for companies to “**do more with less**,” that is, keep producing more goods and services while “decarbonizing” their supply chains (see Figure 1.2).

In his book aptly titled *More from Less*, Andrew McAfee, a research scientist at MIT Sloan School of Management, argues that this decoupling has already occurred in the US. McAfee’s book shows how the US has been able to increase productivity and drive more economic growth using fewer physical inputs since the first Earth Day in 1970. According to McAfee, “evidence from America shows that even though population and prosperity continued to increase steadily in the years after Earth Day (1970), resource consumption did not. Instead, it started to decline. The country now generally uses less metal, fertilizer, water, paper and timber, and energy year after year,” even as output increases.⁹ McAfee points to America’s decoupling, that is the country’s capacity to do “more from less,” as evidence of the *dematerialization* of the US economy. In the same vein, proponents of the so-called circular economy today argue that we can do “more from less” by efficiently reusing and recycling existing resources and materials, instead of extracting more virgin materials from our depleted Earth.

Although *decoupling* could reduce the negative ecological impact of businesses, by curbing their emissions and resource consumption,

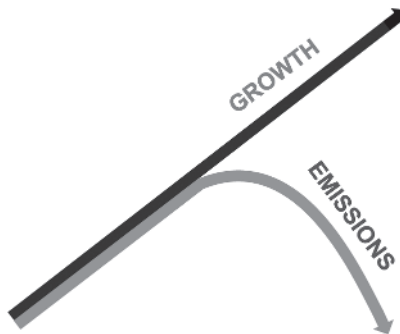


Figure 1.2 Decoupling aims to generate more economic growth while limiting and even reducing negative environmental impact like emissions.

it doesn't incentivize companies to radically change their existing business models or *positively* contribute to society.

I argue that what the world needs today is not decoupling but **recoupling**. It's time to "recouple" (reintegrate) economic activities with people, communities, and the planet. Rather than mindlessly dematerialize our economy using technology, we must intentionally *rematerialize* our economy, making its gains feel *real* for everyday citizens. Instead of decoupling to boost our productivity, we must do recoupling to boost our humanity.

Such tight recoupling will enable a *regenerative development* model that will boost human development and increase social and ecological harmony and will lead us toward a *conscious society* (see Figure 1.3).¹⁰

By engaging in – and actively shaping – this virtuous growth cycle, businesses could serve a noble purpose that is larger than just profit-making.

Here is the hiccup: our existing economic system, which is built on capitalism, lacks the right values and mechanisms to enable the recoupling of business and society/planet.

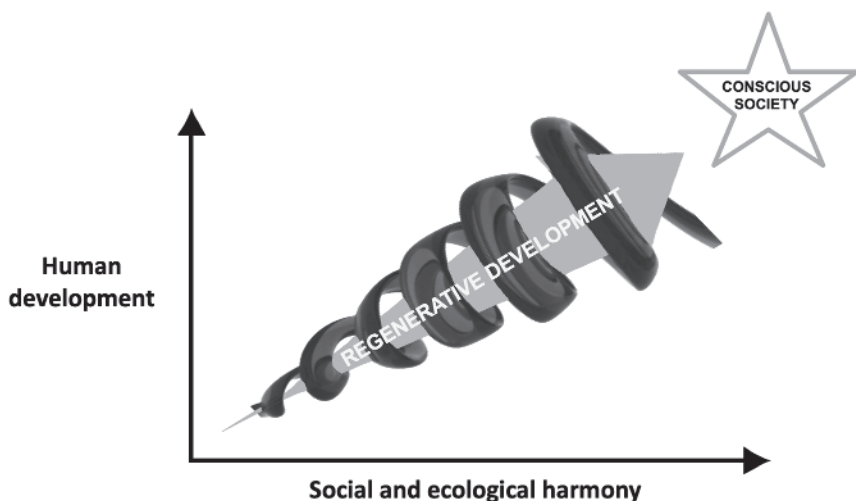


Figure 1.3 Rather than mindlessly pursue unbridled economic growth, regenerative development balances economic activities with human development and social and ecological harmony, hence leading us to a conscious society.

Here are four reasons why capitalism – the operating system that runs our modern societies – is unfit to drive the kind of inclusive and sustainable growth I just described¹¹:

- ◆ First, capitalism exalts the virtues of private ownership, individualism, and competition, which motivate businesses to amass and hoard assets and compete ferociously with one another in a zero-sum game.
- ◆ Second, it pursues relentlessly economies of scale (efficiencies) through mass production and global supply chains, which are gravely polluting and resource-hungry, and lack the flexibility and resilience to cope with catastrophic disruptions like COVID-19 or water scarcity.¹²
- ◆ Third, it incentivizes businesses to maximize short-term profits exclusively for shareholders instead of creating long-term value for all stakeholders, including local communities.¹³
- ◆ Fourth, capitalism fails to hold businesses accountable for the harmful consequences of their operations – known as *negative externalities* – such as social inequality and ecological degradation.¹⁴

Given its fundamental and systemic flaws, we can't rely on a dysfunctional capitalist economy to power inclusive and sustainable growth. We need to totally upgrade and reinvent the economic system that undergirds our societies to make it more efficient and agile, socially inclusive, and ecologically beneficial.

To build and sustain radically new business models and industry value chains that are truly beneficial to people, society, and the planet, we need a new operating system that I call a **frugal economy**.

A frugal economy strives to expand human awareness and create greater economic, social, and ecological value simultaneously while wisely optimizing the use of all available resources.

In contrast with the “do more with more” capitalistic system, which gobbles up ever more resources to pump out ever more useless products, the frugal economy strives to **do better with less** by making the most of all existing resources to maximize the value for *all* stakeholders.

A frugal economy responds to the needs of thrifty and socially conscious consumers who seek a simpler, healthier, and more eco-friendly lifestyle and want to deepen their community ties through active local engagement.

This frugal economy is not a utopian vision.

Using more than **100 inspiring real-life examples** from all over the world, this book vividly shows how this **multitrillion-dollar** frugal economy is already emerging, fueled by **three megatrends** that will fundamentally reshape our societies in coming decades: business-to-business (B2B) sharing, distributed (decentralized) manufacturing and hyper-local value networks, and triple regeneration. See Figure 1.4. I will unpack these disruptive megatrends one by one in the first three parts of the book. In the fourth part, I will describe how these three megatrends are deeply reinventing the largest economy in the world: America.

In Part I, I will show how competing companies can learn to cooperate and share their physical and intangible resources to collectively maximize their value and have a positive impact on society and the planet.

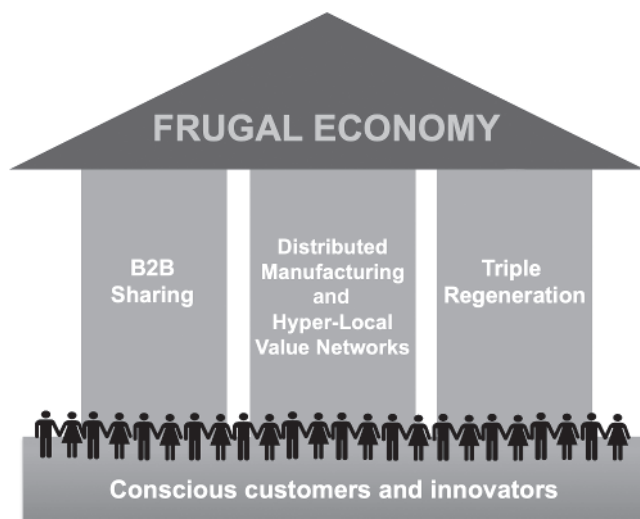


Figure 1.4 Conscious customers and innovators fuel the rise of a frugal economy that enables the sharing of resources, localizes production, and regenerates people, places, and the planet.

In Part II, I will explain how businesses, especially in developed nations, can gain in resilience and agility by *scaling out* manufacturing and producing goods and services much closer to customers, which will benefit both the local economy and the environment.

In Part III, I will reveal how businesses and communities can go beyond sustainability and regenerate people, places, and the planet altogether synergistically, hence boosting the health and vitality of citizens, communities, and natural ecosystems.

Finally, in Part IV, I will inspire you by showing how across America – the most *unfrugal* society in the world – enlightened entrepreneurs, businesses, states, and counties are building from the ground up inclusive frugal economies that truly benefit people, society, and the planet.

I believe that building a frugal economy will have a *civilizing* effect on companies, enabling them to break bad habits and adopt new virtuous behaviors. For instance, today businesses compete with each other brutally and hoard resources selfishly. Instead, what if they collaborated and shared their resources so they can cocreate greater economic, social, and ecological benefits for all? Excitingly, this is already happening, and it's called B2B sharing. Come discover it in Part I.

