

THE  
**FRUGAL**  
ECONOMY



A GUIDE TO BUILDING  
**A BETTER WORLD WITH LESS**

**NAVI RADJOU**

BESTSELLING COAUTHOR OF *JUGAAD INNOVATION*



WILEY



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*“The way to wealth is as plain as the way to market.  
It depends chiefly on two words, industry and frugality:  
that is, waste neither time nor money, but make the best use of both.  
Without industry and frugality nothing will do; with them, everything.”*

*—Benjamin Franklin*

*“Nothing is lost, nothing is created, everything is transformed.”*

*—Antoine Lavoisier*

om  
pūrṇam adaḥ pūrṇam idam  
pūrṇāt pūrṇam udacyate  
pūrṇasya pūrṇam ādāya  
pūrṇam evāvaśiṣyate  
om śāntiḥ śāntiḥ śāntiḥ

om  
*That is Infinite, this is infinite  
this infinite arises from That Infinite  
when this infinite is taken from or added to That Infinite  
Infinite only remains  
om peace peace peace*

*—Isha Upanishad / shlokam*





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# Introduction: Respect and Break All Limits

These days, the media is awash with alarmist headlines like “Humans have crossed six of the nine planetary boundaries that make Earth habitable” (see Figure I.1).<sup>1</sup> Altogether, these nine ecological boundaries “define a safe operating space for humanity” (the green zone that appears as a sphere in Figure I.1) that should not be exceeded if we wish to maintain stable conditions on Earth.<sup>2</sup>

Consequently, businesses are asked to “respect planetary boundaries” and injunctions are issued to “link planetary boundaries to business.”

There is no doubt that rapid economic growth and intensified agriculture and industrialization have depleted our planet’s natural resources, acidified our oceans, polluted our atmosphere, and degraded our biodiversity.<sup>3</sup>

As climate change worsens, businesses bear a *moral responsibility* to respect the planetary boundaries and reduce the “negative externalities” of their economic activities. This is why all businesses are now being asked to **do LESS** (harm).

But here is the big problem: we humans are not born to do LESS. We are wired to **do MORE**.

Nothing in Nature is designed to do *less*. All creatures on Earth are animated by an evolutionary need to do – and be(come) – more.

Three and a half billion years ago, Earth was filled with single-celled organisms that were able to survive on their own. Yet, these unicellular life forms were driven to do – and *be* – more. They were animated by what the French philosopher Henri Bergson called the *élan vital*, a mysterious vital impulse immanent within all life forms that compels them to keep evolving. So these individual cells

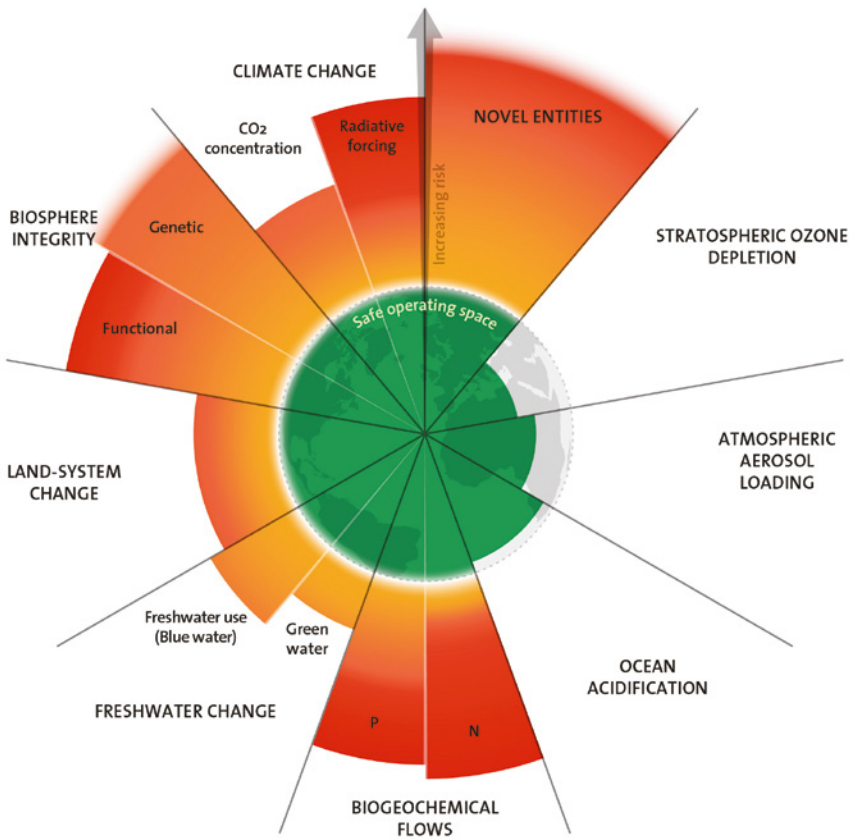


Figure I.1 The nine planetary boundaries defined in 2009 by a group of scientists led by Johan Rockström altogether delineate a safe operating space (the green zone that appears as a sphere above) for humans. In 2023, scientists found that six of these nine limits have already been transgressed as depicted in red.

Source: Adapted from Richardson et al., 2023.

aggregated together to form multicellular groups – starting with fungi, then animals, and finally us humans.

You are reading this sentence because your unicellular ancestors evolved and adapted to do more and better.

If you and I were to do LESS, we would be regressing back to the single-cell stage (which will be an insult to our ambitious monocelled ancestors)!

What drives us to do more and be better? It is our desire to surpass ourselves and *break* the limits.

In 2014, I delivered a TED Talk titled “Creative Problem-Solving in the Face of Extreme Limits.”<sup>4</sup>

I showed how millions of entrepreneurs in emerging markets in India, Africa, and South America overcome the scarcity of resources and use their *jugaad* (*ingenuity* in Hindi) to innovate faster, better, and cheaper. I explained how when you put a limitation on resources, you remove the limitation on creativity.<sup>5</sup>

Likewise, athletes, like those who participate in the Olympic games, are born to break the physical limits. “No limits for Usain (Bolt)” is how the Maths and Sport website described Usain Bolt, the “fastest man on the planet” who kept breaking his own 100-meter (sprint) world record.<sup>6</sup> Bolt didn’t respect the planetary limit . . . for running fast! Scientists also don’t believe “the sky is the limit” for their exploration. Otherwise, we would never have landed a man on the moon in 1969!

You get my point.

Certain limits – like planetary boundaries – are worth respecting and you need to “play within (those) limits” and DO LESS. But other limits – physical, mental, scientific – need to be crossed to push out the boundaries of what humans can achieve, so we can DO MORE. Especially, we need to break our self-limiting belief that “we are all small” and strive to BE MORE.

Spiritual traditions understood well human psychology. Christianity’s 10 Commandments, which relate to ethics, are mostly about limits not to cross. That’s why 8 of the 10 commandments begin with “Thou shall NOT” to *restrict* what we can do.


Yet, akin to modern management thinkers (like me) who believe in “incentive systems,” the Biblical leaders knew that morality and ethics in spirituality shouldn’t just be *punitive* (“you will be chastened if you do X”); they also need to be *rewarding* (“you will be blessed if you do Y”). This is why Christianity identifies the seven deadly sins (vices) we must avoid (“do less”) as well as the seven virtues we need to actively cultivate and practice (“do more”). See Figure I.2.<sup>7</sup>

From a Christian perspective – as well as a Hindu and Buddhist viewpoint – leading a **frugal life** consists in doing less harm (to people and Nature) *as well as* doing good (to others). A frugal life is about *living better with less*.

Vice	Latin	Virtue	Latin
Lust	<i>Luxuria</i>	Chastity	<i>Castitas</i>
Gluttony	<i>Gula</i>	Temperance	<i>Temperantia</i>
Greed	<i>Avaritia</i>	Charity	<i>Caritas</i>
Sloth	<i>Acedia</i>	Diligence	<i>Industria</i>
Wrath	<i>Ira</i>	Patience	<i>Patientia</i>
Envy	<i>Invidia</i>	Gratitude	<i>Gratia</i>
Pride	<i>Superbia</i>	Humility	<i>Humilitas</i>

You Shall NOT



You Shall




Figure I.2 The seven virtues, which counterbalance the seven sins, form the basis of Christian ethics and offer humans a moral compass for leading an honorable life.

At this point, we need to revisit the evolutionary need of all creatures – including humans – to “do more.” In fact, we aspire to not just do more, but “be” more. We want to break all physical and mental limits so we can experience . . . **infinity**.

All humans’ *spiritual desire* – that’s what it is all about – to reach infinity is beautifully captured in the very popular Hindu mantra (in Sanskrit):

Om Asato Maa Sad-Gamaya  
 Tamaso Maa Jyotir-Gamaya  
 Mrtyor-Maa Amrtam Gamaya  
 Om Shaantih Shaantih Shaantih

which translates into

O Lord, Lead me from (the phenomenal  
 world of) Unreality to the Reality (of  
 Eternal Self)  
 Lead me from the Darkness (of Ignorance)  
 toward the Light (of Spiritual Awareness)



Lead me from this world of Mortality (world  
of Material Attachment) to the world of  
Immortality (of Self-Realization)  
Om, Peace, Peace, Peace.

This all sounds very nice.

Here is, however, the dilemma: we yearn to experience infinity  
while living on a . . . finite planet.

How do we resolve this quandary? By becoming aware of  
two things:

- ◆ “Infinite economic growth on a finite planet” is not sustainable.
- ◆ “Infinite development of *human potential* on a finite planet”  
*is* possible and worth pursuing as a noble goal.

Alas, gaining this awareness alone isn’t enough. We need to fun-  
damentally change our economic system, so it delivers a *qualitatively*  
different kind of growth that benefits all humans and enhances social  
and ecological harmony.

We must build a **frugal economy** that **does better with less**.

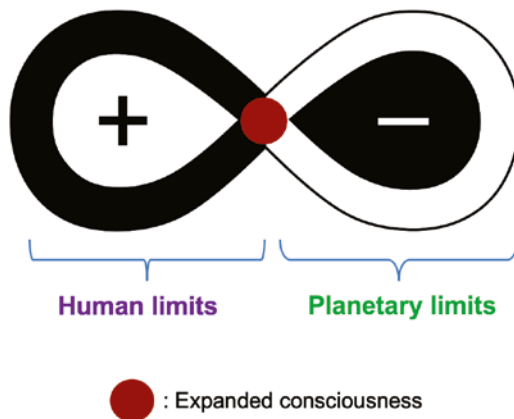


Figure I.3 A frugal economy enables you to consciously surpass yourself  
within ecological limits.

A frugal economy will raise and expand our consciousness so we can all stretch our mental and psychic limits and become *better* human beings while harming *less* our environment and respecting the planetary limits. See Figure I.3.

The Stockholm Resilience Centre defines the planetary boundaries as “a set of nine planetary boundaries within which humanity can continue to develop and thrive for generations to come.”<sup>8</sup>

A frugal economy will enable humanity to wisely “continue to develop and thrive for generations to come” while “playing” within the boundaries of our collective home: Earth.

# 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.”<sup>1</sup>

“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.”<sup>2</sup>

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.

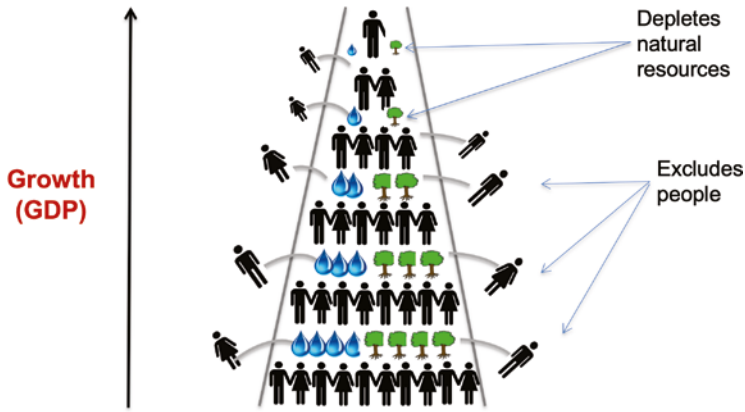


Figure 1.1 Today's growth model is not working because it excludes people and depletes resources.

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.<sup>3</sup> 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.<sup>4</sup> In Europe, nearly 100 million citizens are at risk of poverty and social exclusion, which is about 22% of the total population.<sup>5</sup>
- ◆ 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.<sup>6</sup> In the US, black women receive less than 0.35% of all VC funding.<sup>7</sup>

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 CO<sub>2</sub> emissions.”<sup>8</sup>

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.<sup>9</sup> 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,

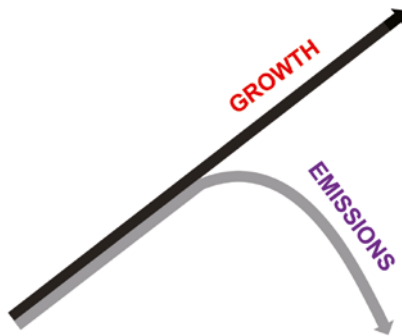


Figure 1.2 Decoupling aims to generate more economic growth while limiting and even reducing negative environmental impact like emissions.

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).<sup>10</sup>

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.

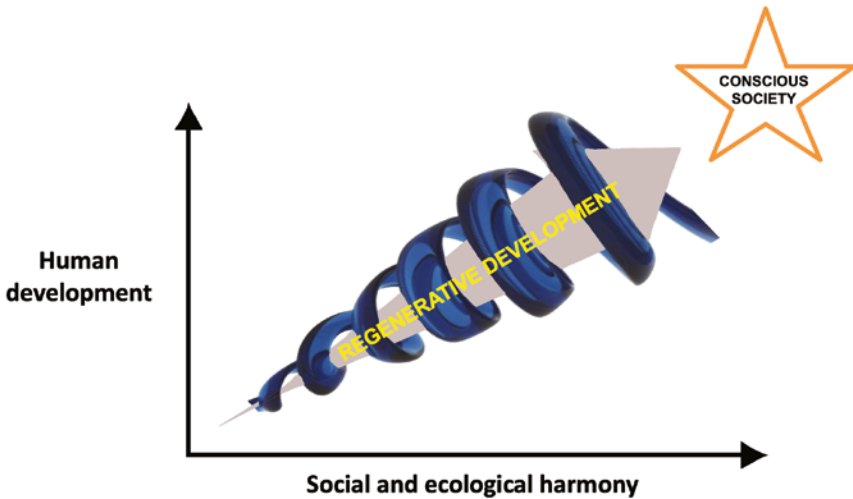


Figure 1.3 Rather than mindlessly pursue unbridled economic growth, regenerative development balances economic activities with human development and social and ecological harmony, hence leading us to a conscious society.

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 described<sup>11</sup>:

- ◆ 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.<sup>12</sup>
- ◆ Third, it incentivizes businesses to maximize short-term profits exclusively for shareholders instead of creating long-term value for all stakeholders, including local communities.<sup>13</sup>
- ◆ 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.<sup>14</sup>

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.

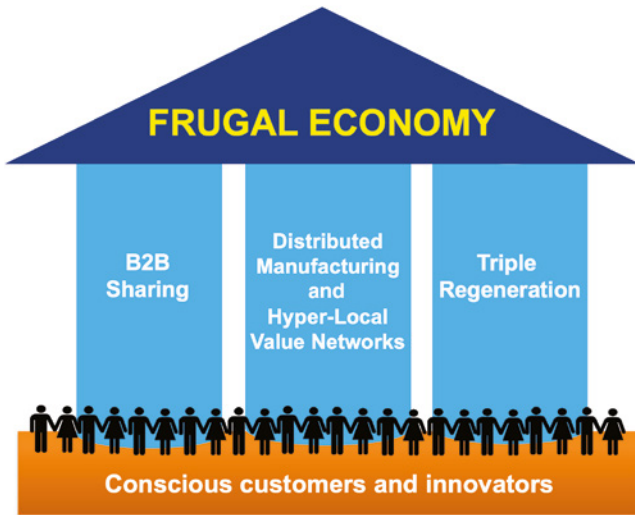


Figure 1.4 Conscious customers and innovators fuel the rise of a frugal economy that enables the sharing of resources, localizes production, and regenerates people, places, and the planet.



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.