

# CHAPTER

# 10

## A World of Friction

**F**rication doesn't just affect businesses. Regions and entire nations can trace success or failure to elements of friction. We saw that Rome dominated the ancient world in part by making communication and troop movement much faster and easier than its competitors, but there are far more recent examples.

### FROM HERO TO OUTCAST

In Holland, Esther Jacobs went from national hero to national outcast in a matter of weeks.

She didn't commit a heinous crime. She didn't have a profane meltdown on social media. She didn't do anything obviously wrong at all.

Rather, Jacobs got caught up in a web of regulations that even the highest levels of government couldn't, or wouldn't, fix.<sup>1</sup>

### Transforming Worthless Coins into Millions for Charity

Jacobs's signature accomplishment came at a relatively young age. In 2002, she was 28. She had no background in either fund-raising or nonprofit organizations. She did have a desire to help others, though. And she had a compelling idea.

As the European Union (EU) transitioned to a single currency for many of its members, many of the old national currencies were being phased out. Banks were able to exchange paper currency for euros, but coins could be converted only in their country of origin.

Even before the EU, Europeans were quite mobile. It was quite common to return from a trip with currency and coins from neighboring countries. These would be saved and used on the next visit to that country. Now, these small stockpiles of obsolete foreign coins would soon become worthless. Their holders would be unable to convert them to euros locally, and it would hardly be worth the effort to carry them to the other country and seek out a bank to exchange them.

Jacobs had a flash of insight and launched an effort she called Coins for Care. Her idea was to collect these soon-to-be-worthless coins for charity.

At first, she got little traction and almost no publicity. Then, Jacobs got a break. Her effort was featured in a major women's magazine, and the idea went viral. Coverage by other media exploded, and potential sponsors asked to become part of the effort.

Ultimately, Jacobs had more than a thousand volunteers helping her with thousands of collection boxes in the affected countries. She rejected any help that came with financial strings attached and did everything as cheaply as possible.

Coins for Care raised more than \$25 million in coins while incurring little or no expense.<sup>2</sup>

## FRICTION TAKEAWAY

Jacobs's fund-raising was successful because she exploited a contrast in friction. On one hand, there was the impossibly high friction of converting these coins into useful currency—it could only be done by a bank in the country where the coins originated. On the other hand, there was the low-friction option of helping people in need by dropping them into a collection box. With the coins soon to become worthless, it's not surprising that so many citizens took the easy path and supported Jacobs's charity.

## Lady Esther

That story would be remarkable by itself, but Jacobs found a way to further improve the world of nonprofit management.

When it came time to distribute the funds, which she eventually donated to more than 140 charities, she asked for each recipient organization to account for how they would spend the money. While some were able to do this, others gave vague answers about using the funds “for their organization’s purpose.” EU laws, unlike those in the United States, required little in the way of disclosure of how nonprofits used their funds.

Jacobs’s response was to publicize these nonspecific replies and launch a drive for transparency in the way nonprofits use their funds. She founded the first “donor organization” in the Netherlands with the objective of breaking through the wall of secrecy erected by many charities.

Her resourcefulness, level of success, and activism resulted in a unique honor. At 33, Esther Jacobs was officially knighted by the Dutch queen. She was one of the youngest people ever to receive this honor.<sup>3</sup>

## Rules Are Rules

*Bureaucracy is the art of making the possible impossible.*

—Javier Pascual Salcedo

As the Coins for Care effort wound down, Jacobs returned to her global nomad lifestyle and focused on her writing and speaking.

Then, the Dutch legal system upended Jacobs’s life.

Jacobs was back in her hometown of Amstelveen, a small town near Amsterdam. She had owned a house there for almost 20 years and considered it her permanent home.

When she went to city hall to renew her passport, she was shocked to be told, “Sorry, you don’t live here anymore.”

Initially, she thought it was some bureaucratic mix-up. There was another Esther Jacobs, perhaps, or a clerk made a data entry error.

It proved to be no mistake. There’s a Dutch law that says you must spend four months in a town to be registered there. She was, they said, in violation of this requirement.

It got worse. When she asked to see her records, the officials told her they couldn’t show them to her for privacy reasons. She pointed out that it was her own privacy that she’d be violating, but they shrugged. Rules are rules.

When she asked what she had to do to fix the problem, she was told the “research committee” would investigate, as her case was now in the “fraud section.”

Jacobs owned a house, paid taxes, and took no government assistance. She had been knighted by the queen.

Now, she had become a presumed fraud.

## **We Know No Nomads**

Jacobs’s travel was curtailed, as her soon-to-expire passport was no longer valid for many countries. She immediately began writing letters and calling officials, to no avail.

Her only weapon to fight the bureaucracy was her own modest fame. With no other avenue open, Jacobs wrote a blog post about her dilemma. Within 24 hours, government ministers were meeting on her case. In any normal world, a phone call would be made, a memo would be sent, and Jacobs would get her passport renewed in short order. In the bizarre world of Dutch government rules and regulations, that didn’t happen.

Instead, the ministers agreed that the law hadn’t been written to disenfranchise frequent travelers like her, but that its requirements were clear. They gave the town permission to deregister her.

The frustrating situation turned into a nightmare. Once she was no longer legally a resident at the address where she was still living, the dominos of Jacobs’s life began to fall.

Losing her parking permit wasn’t a big problem, but then she lost her voting rights and her right to later claim a government pension. Her health insurance, partly sponsored by the government, was canceled. Her company no longer had a legal address, so it, too, was deregistered. Her bank account was closed and her telephone plan canceled since her business had no valid address. She couldn’t bill clients or deposit checks.

Jacobs jokes that in the entire Dutch government, just one unit still was pleased to fully recognize her as a citizen of the Netherlands—the tax service!

Her lifelong hometown never recognized Jacobs as a legal resident again. After months of struggling with the bureaucracy to no avail, she changed her legal residence to Andorra, which ironically allowed her to resume most of her life as a Dutch citizen.

## FRICTION TAKEAWAY

While Jacobs is an extreme example, it's significant that her ordeal took place in a prosperous, economically advanced nation. Around the globe millions of individuals are confounded daily by bureaucratic rules and regulations that make no sense. Laws remain on the books for decades, even as new and conflicting laws are layered on top of them. It's important for both citizens and legislators to identify laws and regulations that create friction without a corresponding benefit to society. Changing obsolete laws and eliminating pointless regulations is difficult but essential work; it benefits both citizens and the national economy.

## THE HIGH PRICE OF BUREAUCRACY

*You will never understand bureaucracies until you understand that for bureaucrats procedure is everything and outcomes are nothing.*

—Thomas Sowell, Economist

The story of Esther Jacobs is amusing today, at least for those of us who didn't have to live through it. Her life was disrupted, but she survived and adapted. She continued to build her business. A handful of other digital nomads may have been caught in the same trap, but most found simple workarounds to satisfy the bureaucratic box-checkers. The economy of The Netherlands wasn't affected in the least by the nonsensical application of the law. And, eventually the regulations will be changed if too many productive citizens are affected.

In some countries, though, a tangled bureaucracy and a plethora of regulations can have enormous implications for the prosperity of the nation and its people.

### Ajay Prasad's Story

Ajay Prasad is a successful California entrepreneur who traces his roots to Patna, India. Patna has brutally hot summers that are relieved only by the arrival of monsoon season. In Prasad's youth, Patna and its surrounding area were primarily agricultural, with government as the biggest employer.

"With blinding insight, *Friction* offers takeaways that allow us, systematically, to recognize and reduce obstacles to success."

—ROBERT R. CALDINI, *New York Times* and *Wall Street Journal*  
bestselling author of *Influence* and *The Swerve*

# FRICITION

**THE UNTAPPED FORCE  
THAT CAN BE YOUR MOST  
POWERFUL ADVANTAGE**

**ROGER DOOLEY**

*Author of Brainfluence*