What is the best metric for measuring India's progress?

By Dr Richard Oliver

"What will happen when intelligence is recognized as a global resource?"

Marshall McLuhan

Global share of brains

In his essay "Toward a Uniquely Indian Growth Model" in *Reimaging India*, Anand Mahindra observes: "If we continue to judge India's progress by China's, using metrics like FDI and GDP growth, or statistics like the kilometers of highway and millions of apartments built, we will continue to be branded a laggard."

I believe Mahindra's quest is to devise a measure that more accurately reflects the economic progress of India compared to China, or any other country for that matter. I agree that such a new measure is vitally necessary, as we are now clearly in a new world in which traditional financial measures such as annual GNP do not reflect the true long-term economic strengths and intellectual capital that a country possesses.

Therefore, I propose a new measure, *global share of brains (GSB),* which measures the number of people who are engaged in any and all economic value-added employment requiring intellectual rather than manual skills. Employment in any such activity would require the attainment of an intellectual competency measured by the achievement of certification or third-party recognition by a professional authority for evaluating skill standards. This new measure would also include entrepreneurial activity (including agricultural) that, while lacking specific certification, requires intellectual activity and produces economic value beyond the level of subsistence required to support two or more people. While entrepreneurial categories of competency-based employment are harder to measure, they are a vital component of the GSB metric because so much of the world's economic-value-creating activity is now undertaken by small businesses and entrepreneurs, and typically involves the use of intellectual activity.

To better understand GSB as a new country-level or macroeconomic measure, it can be thought of as roughly analogous to the microeconomic measure of an individual firm's worth as reflected by its fair market share price on public exchanges. Such fair market value is almost always a significant multiple greater than book value. The additional premium that a modern corporate stock commands is often derived from investors' valuation of the firm's brand(s) or other intangible attributes, such as intellectual property or patents. In recent years, despite the vagaries of periodic market swings, the total market cap of all firms on the NYSE has been as much as four times total book value. Such values derive from investor confidence in the intellectual-capital assets of firms that provide the innate ability to generate rents, or returns, over a long period of time.

As I write this paper I am in Hyderabad, India, speaking at a conference called SKILLS 2013, aimed at accelerating the life and livelihood skills of India's millions of poor. My presentation, A Billion Brains, is a call to arms for India to attempt to take advantage of the perfect storm in education.

I believe strongly that India has a unique opportunity to empower a billion citizens and make them economically active by 2050. If it did so, and all other countries remained on their current trajectories for educating their citizens, India would have the world's leading percentage in GSB.

My analysis indicates that, should India educate a billion brains by 2050, it would also become the world's number-one economic power using traditional measures such as GDP. In fact, under such a scenario, it would have a GDP of some US$117 trillion, or more than US$90,000 per capita. India would also, by dint of its economic power, assume the mantle of the intellectual, social, and political leader of the world.

In making this projection, I hasten to note that I have succumbed to the economist's trick of holding all other variables constant, such as the current rate of education in all other countries, while accelerating India's. Such an analysis does offer the opportunity, however, to re-imagine an outcome.

India has one of the most important of the four forces creating an educational perfect storm, a free democracy (messy though it may be) with more than a billion citizens with free will. No other country rivals it in terms of the number of people within its borders who have the political and social freedom to learn.

Two of the other unalterable forces do not belong to India but are there for the taking. One is the dramatically falling cost and efficacy of digital education; the other, a growing recognition that "being educated" is no longer a matter of counting courses. Do the math: a typical undergraduate degree is 40 courses of three credits each taken over four years, but is no longer a guarantee of superior income levels or employment.

In such a short essay, a full description of the declining costs and concomitant rise in efficacy of digital education is impossible. Suffice it to say that digital technologies and new modes of internet delivery of learning are now rendering the traditional classroom obsolete. Education, virtually unaltered for thousands of years, has now entered the digital abyss that has destroyed or radically transformed many other industries, such as personal investment trading, newspapers, music, and video distribution, to name just a few.

Also fueling this restructuring of education is the growing recognition that what really matters in the marketplace is not counting credits but the acquisition and certification of competency in intellectual skills. In response, American universities are now awarding more certifications than degrees.

The final force that only India can animate is the political will and private zeal to take advantage of digital education and skill its people. I have suggested that the goal is one billion intellectually skilled Indians by 2050. If India does rise to the challenge and become the world's leader in global share of brains, it will also become the world's new storehouse of intellectual human capital.