

Education as a game-changer

It is the greatest leveller of our times and the biggest driver of prosperity, argues Surjit Bhalla

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Has all your recent reading on economics and business convinced you that the world is falling down the rabbit hole? Have you been despairing over persisting poverty, yawning inequality and the unabashed misogyny that you're seeing so much of in the media? Then Surjit S Bhalla's *The New Wealth of Nations* is just the book to bring you some Christmas cheer.

Displaying a great knack for teasing out provocative conclusions from boring macro-level data, Bhalla has several bracing messages to impart. The world has made remarkable strides in vanquishing poverty in the last thirty years, he states, thanks to the much-reviled globalisation.

Growing inequality may be a problem for Ivory Tower intellectuals in the West, but not in the real world where the developing nations, home to much of the world's population, are playing a rapid catch-up with their richer counterparts. Women are throwing off the shackles of oppression and will overtake men in many fields in the foreseeable future, he asserts. If these sound like fairy tales, Bhalla's argument is that it is education that is playing fairy godmother and performing these economic miracles.

E-wealth and Tiger Moms

The central thesis of this book, and one that you will find quite alluring if you're an optimist, is that education is the greatest leveller of our times and the biggest driver of prosperity. The idea carries irrefutable logic, because it is education after all that decides one's income level and income is the direct de-

terminant of wealth. Bhalla upbraids economists and market analysts for ignoring the enormous wealth embedded in human capital while constructing their theories about wealth and inequality over the years. He then goes about statistically proving that the wealth of nations has historically moved hand in hand with the literacy rates and the educational attainments of citizens.

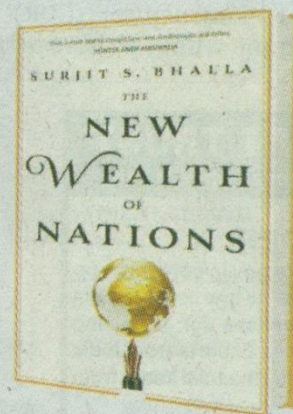
Not so unequal

Using discounted cash flow analysis, he quantifies the educational wealth embedded in the key advanced and developing economies.

The exercise reveals that \$330 trillion of 'e-wealth' in the world today is far more equitably distributed than the financial wealth of \$256 trillion. True, the USA, the earliest nation to vanquish illiteracy, turns out to be the kingpin on this new measure of wealth (it is sitting on \$81 trillion of e-wealth) too. But China is nipping at its heels with \$56.8 trillion. This may be a function not just of China's teeming population, but also of efforts of its Tiger Moms who seem to have driven great educational outcomes for the emerging giant.

Applying popular inequality measures such as the Gini co-efficient and the share of the top 1 per cent to this new wealth measure upends conventional arguments. It also leads to an optimistic prognosis for the Indian and Chinese economies. Sitting as they are on so much human capital, the book hints, it is only a matter of time before the e-wealth of these nations transforms into greenbacks.

While it does take a deep dive into statistics in some chapters, the book isn't a technical tome. The



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narrative, for one, is not linear. Bhalla often recounts quite a few anecdotes about his years as a freshman in college (His parents seem to have imbibed the lesson on e-wealth before him, packing him off to Purdue University for under-grad).

During such excursions, he takes time off to demolish some popular perceptions (that globalisation is unfair or poverty is growing), takes pot-shots at some theories (Oxfam's inequality report gets it on the chin) and pays reverent homage to some economists (Gary Becker and Arthur Lewis get fulsome praise).

Even if you're not interested in the hard-core economic content, some of Bhalla's digressions shed new light on live issues such as middle America's angst, stubbornly low global inflation and the gender pay-gap. His penchant for kicking off each chapter with quotes from Pink Floyd, U2 and Simon and Garfunkel ('One man's ceiling is another man's floor') and random MIT-Harvard jokes also liven up the proceedings. There are not too many books on economics that you can read in one sitting, but you can do it with this one.

Though the author has a clear fetish for statistics, he keeps his econometric tendencies at bay, possibly in the interests of readability. Scatter diagrams, t tests and lines of best fit make only occasional guest appearances, with most of the supporting data mercifully presented in tables or line graphs that anyone can read. This may render the book a less scholarly read for economics aficionados. But it makes it quite accessible to the lay reader.

India story?

The one aspect of the book on which one is left looking for more, is the implications of the e-wealth thesis for India. Given Bhalla's talent for unearthing hard-to-obtain data, it would have been fascinating to have more insights into the progress of educational attainments, and its implications for inequality and growth, in India.

Most chapters of this book treat India and China as joined at the hip and make conclusions on their joint prospects. But then, China is leagues ahead of India on the sheer size of its GDP, per capita income and many development indicators. Even on the author's measure of e-wealth, one is bemused to note that populous India (with e-wealth of \$6.9 trillion in 2016) is miles behind China (\$56.8 trillion) and trails both European countries like Germany and UK, and emerging rivals Brazil and South Korea.

So, is this a function of India's limited public investment in education over the years? Given the run-down state of its public education system and heavy reliance on expensive private education, do India's poor have adequate opportunity to build their e-wealth? What should India be doing to catch up with these countries and be counted as truly rich on Bhalla's new measure of the Wealth of Nations? At the end of the 187 pages, those are questions to which one is still keen to have answers.

MEET THE AUTHOR

Surjit S Bhalla is a member of the PM's Economic Advisory Council. He is Senior India Analyst for The Observatory Group, chairman of Oxus Research and Investments and has worked at Rand Corp, Brookings, World Bank, Goldman Sachs and NCAER.