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Capitalizing on Our Intellectual Capital



What if the United States became to the world what Massachusetts is to the U.S.? That is, what if it set out to be the leading exporter of education? Massachusetts plays a special role in America, welcoming students from everywhere and dispersing graduates widely, spreading state-of-the-art knowledge with them. California, with a population almost six times as big, a very strong economy, and high-quality universities, still confers only 25 times as many higher education degrees. Perhaps because of its educational intensity, Massachusetts's per capita income is 19% greater than California's and 2% greater than the national average.

The U.S. is positioned to play a similar role globally and to experience the economic benefits of this sector. In the 2011 Academic Ranking of World Universities, 31 U.S. institutions are among the top 45.

Seeing education as a valuable export casts a different light on a seeming challenge for the United States: that 75% of the

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world's GDP growth in the past decade has taken place in developing countries, where 80% of the world's population resides. When the world's best education is yours to sell, more wealth in the global population represents opportunity.

Direct revenue from tuition is only the beginning of that opportunity. The U.S. can benefit in two ways when foreign students return to their countries of origin: First, if those students become entrepreneurs, they rely on the networks and tools they acquired as students—that is, they import U.S. materials to get the work done. In the early years of the IT revolution, droves of European students who had studied in America demanded the same technologies

back home. Later, droves from India and China did the same. Second, an infusion of better-educated entrepreneurs adds to an economy's dynamism and therefore (as Joseph Schumpeter explained so clearly) fuels economic growth. As other economies expand, so does demand for U.S. exports.

Consider the experience of MIT. In a 2009 study, Edward B. Roberts and Charles Eesley found that companies started by the school's graduates generated total annual revenues of nearly \$2 trillion, 60% of them outside the northeastern United States. Of the foreign students educated at MIT who went on to found businesses, 59% did so in the U.S., 20% in Europe, and 21% in Asia and Latin America. Those who stayed expanded the U.S. economy directly. Those who left expanded U.S. exports by growing other economies.

This sheds light on another aspect of educating the world's entrepreneurs. At U.S. universities, current entrepreneurship programs tend to cater to the needs of developed countries, whereas programs oriented toward developing ones emphasize policy design and interventions. Given the general entrepreneurial culture in the U.S., American institutions are in a position to create programs that cater to aspiring entrepreneurs in developing countries.

MIT showed its foresight in this regard when it established the Legatum Center for Development and Entrepreneurship—a resource to help students create for-profit enterprises in low-income countries. What would it take for other universities to do something similar? Perhaps just a redirection of dollars. The U.S. government currently sends billions in aid to other countries, often with the unfortunate effect of strengthening the state apparatus and suppressing entrepreneurial efforts that could create economic growth. Imagine if some of those funds helped American universities foster economic growth in developing countries: It would boost the nation's export of education. And as those trained here became more-trusting friends of the U.S., it would contribute to a more peaceful world. c