THE BRAIN ECONOMY

An economy based around psychological and cognitive wellness would enable us to create a stronger, more resilient future

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In light of the many disruptions the world faces as a result of the Covid-19 pandemic, the World Economic Forum (WEF) has developed its Great Reset initiative. This looks to the ways we can shape the recovery and the future of economies, societies, businesses and governments. The WEF argues that part of this reset should include a shift to developing more sustainable business models, such as an impact economy. This would be based on taking into account social goods and external harms alongside profits.

In an impact economy, the norms that are attached to the pursuit of social impact would be as widely accepted, consistent and stable as the norms that are associated with the pursuit of profit. Similar to the changing perceptions surrounding sustainability reporting and business practices, financial investors recognise that social impact drives stable returns. This shift has already begun; the Global Reporting Initiative, in partnership with the Robert Wood Johnson Foundation, has developed health metrics geared toward the inclusion of social impact in current sustainability indexes. Encouraged by the added measure of certainty and transparency surrounding their activities, the aim is that investors will allocate more capital to financing initiatives that have positive social outcomes, and that entrepreneurs will devise business models along the same lines. A further aim is to drive consumer choices so that a greater share of their spending goes to social enterprises.

Brain capital

We propose that a similar approach should be taken regarding the impact of company and governmental practices on brain capital.

Brain capital puts a premium on brain health and brain skills. The former encompasses emotional, behavioural and cognitive health across an individual’s lifespan. Compromised brain health greatly increases the risk of depression, anxiety, substance misuse, dementias, and neurodevelopmental and neurocognitive disorders. As well as potentially devastating consequences for individuals and their loved ones, such disorders are estimated to cost the global economy $2.5tn–$8.5tn per year in lost productivity. Covid-19 has likely added to this figure, as isolation, unemployment and insecurity have put additional pressures on people’s brain health.

Brain skills include self-control, emotional intelligence, creativity, compassion, altruism, systems thinking and cognitive flexibility; all are critical in a digitised economy, and all are dependent on good brain health. Brain skills are also critical for resilience and adaptability, two traits that are now more important than ever. A digitised economy – which places a premium on cerebral rather than manual skills – can be thought of as a brain economy. Brain capital is crucial in this context, where automation is accelerating and where innovation is a tangible and increasingly pivotal ‘deliverable’ of employee productivity.
Brain Impact Economy

Covid-19-driven 'Great Reset'

Push for impact economy

Digitization of the economy, globalization

Brain capital-focused social impact investing

Brain Capital Index

Aligned investment approaches

Social impact investing can be relevant to building a brain impact economy, as the norms associated with the pursuit of financial reimaginations we so clearly need. A brain impact economy would be one where the practices, policies and standards attached to the pursuit of optimal brain capital would be as widely accepted as the norms associated with the pursuit of financial wealth. Governments and business leaders would recognise that economic and business activity are modulated by the mental capacity of their people.

There are a number of organisations driving this effort, including the US Securities and Exchange Commission (SEC), which is looking to expand reporting requirements to include a broad set of measures including training hours, worker productivity and turnover. The Human Capital Management Coalition, representing major institutional investors, has been pivotal in petitioning the SEC to move in the direction of requiring human capital metric reporting. The International Financial Reporting Standards Foundation and US Financial Accounting Standards Board both have requirements in place for reporting employee-employer transaction information related to employee benefits, retirement plans and compensation. Recently, the International Organization for Standardization specified 23 core metrics – including costs and worker productivity, health and wellbeing, and leadership trust – for organisations to track and report.

The development of a Brain Capital Index (BCI) could help to track the brain capital impacts of companies and governments as well as the value of investments. If such an index were investable – as in the case of a mutual fund or exchange-traded fund – it would encourage investment in the entire space by opening it to the passive investor. Index-tracking funds have recently passed the $1tn mark of assets under management globally, surpassing assets under active management for the first time. Attracting even a small fraction of global passive investment to use such a model would transform the brain economy as a whole.

A BCI would consider a range of components. Health-related metrics may include incidence and prevalence metrics, access to care and reliance rates. Access to mental healthcare for children and young people, for instance, is of paramount importance, so coverage for families and employees should be prioritised. The demand for mental healthcare is at an all-time high, but the ratio of professionals to patients is incredibly low, hence this ratio should be tracked.

We might also choose to track purpose in work, given this is shown in the Rush Memory and Aging project to have a range of brain health benefits, including reducing the likelihood of dementia and strokes.

There are already models out there we can learn from. For example, the California-based Our Mind at Work, a workplace mental health organisation, has worked with Total Brain to develop a Mental Health Index that uses standardised, scientifically based digital assessment and questions to measure a person’s 12 brain capacities across the areas of emotion, feeling, cognition and self-control. The assessment screens for risk of seven common mental health conditions and acts as a sort of mental health performance report.

Such a radical shift towards an economy that centres on our brain health will require a lot of work. Data privacy and ethical issues must be considered. Indexes should be designed according to our emerging shifts in value. Technologies should be built with responsible innovation principles in mind. But such an approach begins to address the fundamental question at the heart of the Great Reset: what is a valuable impact and how will we measure it? Our answers to this question will define the world’s progress in the wake of Covid-19.

The world is experiencing an identity crisis; how we express ourselves should be identified and considered in aggregate to prepare to solve increasingly complex and urgent global issues, brain capital must be an axiom of progress.