

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

*Opening Remarks by ECCB Governor
K Dwight Venner*

I would like to welcome you to the fourth lecture in honour of an individual who could be considered to be the patron saint of Caribbean and Third World economists, Sir William Arthur Lewis.

Sir Arthur grew up and existed in a world in which he had to perform much better than his peers to ensure his success. In living up to his credo of excellence, he proved beyond a shadow of a doubt that coming from a small island did not preclude one from succeeding at the highest levels, neither was one's skin colour a genetic disadvantage.

Sir Arthur therefore, assigned very high priority in his work, both as a development economist and development administrator, to education and the development of human resources. As Vice Chancellor of the University of the West Indies, he expanded the enrolment of that institution and encouraged the undertaking of research in the social, natural and medical sciences.

Lewis' view of the world and the place of Caribbean people in it, was based on the fundamental premise that while we did not have the capacity to influence major events in a way large countries would, we did have the capacity to carve out areas in which we could excel.

The real issue then was the capacity to apply our intellectual capacity to arrive at solutions which filled our objective circumstances. This approach was brilliantly illustrated in his approach to the industrialisation of the West Indies. In the face of the traditional theory of comparative advantage which assigned manufacturing to developed countries and agriculture to developing countries in the general assumptions of the division of labour, he redefined the situation to establish a comparative advantage for the latter in the production of labour intensive manufactured goods. History has validated his concept and today **developed** countries speak about the flight of their manufacturing industries to countries with lower labour costs.

Lewis was clearly ahead of his time in this and many other issues which were and still are an inspiration to those of us who have had to follow his path as professional economists and development administrators.

Lewis had a particular affection for, and interest in, the smaller islands of the region, which can be seen in his now famous essay written after the demise of the West Indies Federation and appropriately entitled “*The Agony of the Eight*”. In this pamphlet he

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

made a very strong case for the closest possible integration of the remaining territories, which included Barbados.

This argument was based on the economies of scale and scope of production and administration, and the economic viability of the islands both separately and as an integrated entity. The most powerful underlying argument which he made however, was that such an arrangement would allow for good governance as the peer review and objectivity that went with a regional arrangement would be better than the subjectivity of most judgements and decisions in the very close circumstances of a single island.

The argument is still valid today and so are the traditional arguments for economic integration. In fact, in the new environment in which we now exist there is more than ever, an urgency for us to move to much higher stages of economic integration and to create the appropriate political arrangements to service and facilitate our economic development.

Our view at the Eastern Caribbean Central Bank (ECCB) is that the circumstances and arrangements surrounding our own institution are a clear indication that regional initiatives can work if established in accordance with the appropriate institutional and regulatory features. Our success as a region from this point onward however, will rest on our ability to do the following:

1. To carry out an objective audit of our circumstances, resources, policies, programmes and projects;
2. To devise by consensus a vision of where we would like to be in the future, what people now refer to as Vision 20/20;
3. A clear and focused implementation strategy.

On this occasion, I would like to refer only to the vision of the Organisation of the Eastern Caribbean States (OECS) Countries in the next millennium. I would envision very close political arrangements which allow us to safeguard and expand our sovereignty, and identify ourselves as an integral part of the international community.

One can also envisage a highly skilled and sophisticated population which would have been produced over the first twenty years of the new century through the new media.

Physically, we would have been forced to come to grips with environmental threats and the management of small physical space as it relates to where we live, work and go for our recreational activities. We should in these circumstances produce landscapes, cities, and communities which are clean, green, gentle, kind and friendly.

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

Our economies would be service oriented with the production of new media and fashion design products which would be in demand across the whole hemisphere. We would be as much a part of the hemispheric or the North America economy as Hermosilla in Mexico, Belo Horizonte in Brazil, Panama City in Florida or Halifax in Nova Scotia. Telecommunications, the Internet and improved air transport for passengers and commodities will ensure this integration.

The ECCB has three particular projects which we hope will make a modest contribution to achieving this vision. Firstly, our money and capital markets project which will integrate and develop the financial markets of the Currency Union and then sequentially integrate us into the regional, hemispheric, and international markets.

Secondly, we are promoting in collaboration with the Caribbean Conservation Association an OECS Best Cities Competition which will address the environmental aesthetical concerns of our capital cities. We appeal to the banking and financial sectors as well as the private sector to support this effort.

Thirdly, we are supporting the development of young entrepreneurs in the OECS through an enterprise development programme involving science, savings and entrepreneurship in the school system.

Our celebrated lecturer tonight Lloyd Best, needs no introduction in this country or throughout the Caribbean region where for the last forty years he has been one of our leading and most provocative thinkers. Lloyd has always challenged us to think our way through our problems without being encumbered by the circumstances of size or the strictures of ideological positions. He has always made it clear that in addressing our problems we must start from, as he put it, “*where we sit*”. It is this insistence on original thought and the capacity to think for oneself which has endeared Lloyd to us and which has made him and his thinking one of the most valuable resources of this region. It is therefore most appropriate and fitting that he should deliver the Sir Arthur Lewis Lecture on the eve of the new millennium.

Unlimited Supplies of Technology

Sir Arthur Lewis’ most famous piece of work is entitled “Economic Development with Unlimited Supplies of Labour.” I once went to one of these infoversities which have wholly futuristic communications. Students told me about a professor who pre-recorded his lectures often with light and sound effects. He often lip-synched. Many times he did not even turn up. He simply had the show turned on. One day he came late to see it in progress to find not a single student, only movie cameras, each on pilot, in place to shoot and capture the lecture. “Education with no labour and unlimited supplies of technology.”

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

Lecture

by Lloyd Best

I propose to talk about Sir Arthur in a very unusual way. Mostly by indirection but appropriate to our native intellectual and critical tradition which is still emerging and has claims on our attention. I hope to locate our subject right in the midst of our current predicament, confident that his position is secure and that giant will come out tall.

I am not going to quote Professor Lewis too much tonight and I'll tell you why. Nearly 30 years ago, he and I were at a Conference in Grenada. Possibly the first fifteen speakers all found themselves citing what Lloyd Best had said and what Lloyd Best had not said and what Lloyd Best had or had not really intended. And so it went on interminably in an almost obscene display of cultism, wholly at variance with the values of the University and certainly not my way - or to my taste. I was embarrassed to the point of squirming but a knight in shining armour came to my rescue.

Sir Arthur sat next to me. We began by bad-talking Dr Eric Williams in copious fashion, as the one who had broken up the Federation. It was pathology but also therapy: I suppose we needed to get to know each other. Then, as he rose, he handed me a note in his own handwriting. After all I had been accused of saying about him and all that I had said and not said or not intended, it was an exquisite shot. It read: “They will say not only things you have said or things you have never said but that you'd never even have dreamt of saying.”

To attempt to locate Professor Lewis is for me a source of great delight. Above all, to do it in the way it should be done to respect the claims of the intellectual and critical tradition, native to the place. To do it here, where it should be done, in Sir Arthur's hometown in the OECS; and when it should be done, at the Sir Arthur Memorial Lecture. It is indeed a thrill just to be here again, at the seat of ECCB in Basseterre, St Kitts. If inevitably a little anxious, I am glad to be among family and friends, contented and happy, in a congenial corner of the Caribbean.

15th Century

All these islands are beautiful, Columbus exclaimed, when first he saw the chain of the Antilles. Admirable, the Admiral of the Fleet added, for tillage, pasture and habitation. That was the end of the 15th century, the half millennium. We in the Caribbean were already under threat from accelerating globalisation.

Little did Columbus know. His own dramatic entry, though he did not know it, would generate the most improbable of ironies. We've since paid an almost prohibitive price to

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

have this city built and to complete the full millennium. Admirable for pasture, tillage and habitation.

Now here we are again, at the end of the 20th century. As at the end of the 15th, the Caribbean is under threat, again from accelerating globalisation: the migration of capital; the expansion of imperial power; the networking of business organisation; the integration of markets - for goods, services and finance; the re-configuration of investment space; the extended reach of instantaneous communications and information flows, the annihilation of distance; the recoiling of the group into primal affinities, if you prefer, into ethnic solidarities.

16th Century

It is an old and recurring story. At the end of the 16th century we were under threat again. From corsairs, buccanneers, pirates; French, English, Dutch; maritime powers of Western Europe who envied and challenged Spain. Who were demanding to see the testament of Adam which legitimated her hegemony anywhere beyond the line.

[And If I say that it is **we** who were under threat, I say it deliberately, even if most of us or our ancestors may have been slaves or encomendados. Once you inherit the patrimony and are master of the house, you become responsible for all the past mistakes as well as all the present ones; you can be called to account for all the earlier generations of management, from time immemorial. That has all kinds of implications for the intellectual tradition, for the critical, for the epistemological tradition of knowing - and of being].

Well, at the end of the 16th, as at the end of the 15th century, we in the Caribbean were certainly under threat. Pope Alexander V was the United Nations Organisation of that Age. He had long since given half the new world to Portugal, the other and necessarily bigger half to Spain - he was a Spanish Pope. Now, beyond the line, the watchword was war and trade; we must wonder if it is very different now.

18th Century

Then came the 18th century. We would face the challenge again. The Caribbean would be under threat. The Napoleonic Wars would have precipitated beet sugar and East India cane sugar into being more than formidable competitors to West India cane sugar. Possibly the Golden Age of Caribbean sugar came to a close in 1797 or 1798, before the great *fin de siecle* collapse of prices of 1799. The writing was on the wall. Came the end to the slave trade in British waters; the collapse of the regime of slave labour, successively, beginning in Sandymingo and passing quickly to the British West Indies before 1840, slowly to Cuba and Brazil, in 1886 and 1888, respectively. Came Sir Robert Peel's repeal of the Corn Laws in 1844 precipitating legislation to equalise the duties in

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

1846 on West India and other sugar, and the definitive loss of imperial preference by 1855.

19th Century

It was therefore not until the 1850's that the 18th century effectively came to a close in the West Indies. It was a long hard night of transition which ushered in the Crown Colony regime of 1866, after the Morant Bay Rebellion in Jamaica. Planter Government survived in only Barbados, Bahamas and Bermuda. Seventy to eighty years later, young Arthur Lewis would look back on the results. He would be less than impressed by the vigour that officialdom had displayed on behalf of the multitude of the people for whom the Colonial Office had supposedly been holding the ring. He would deplore the feeble policies of land distribution and land settlement; the labour policies in regard to both immigration and emigration; budgetary and fiscal policy in respect both to revenue from tariffs on imported wage goods such as food and cottons, as well as to expenditure, which had devoted too little to education, failed to support small business, neglected civic rehabilitation, and ignored civic construction.

From his seat in Manchester fully one hundred years later, Stanley Jevons Professor of Political Economy, Dr Lewis would encourage Gisela Eisner to go to Jamaica for graduate study of the economic history of that island during the course of the 19th century. Where the 18th century had been long, the following century had turned out to be short. The hundred years ran, in effect, for no more than ninety, from about 1850 up to not quite 1940.

Eisner's book covers *Jamaica 1830-1930*. She would find to her horror that output per person was about the same in 1930 as in 1832. Labour productivity in agriculture in 1890 stood at a level 22 percent below that of 1832. The only structural change had been the foundation but not the development, over the years 1832 to 1850, of the small-farmer, food-producing sector. Peasants, pen-keepers, cultivators.

Lewis' own work on the West Indian peasantry would conclude that something different was called for. By the 1890's, had peasant initiative not largely fizzled out? Jamaica had had more land and shown much greater promise than most other islands. But even there, plots ended up being too small, productivity too low. He would describe how women left the labour force; domestic service expanded apace; migration gained momentum - to Panama, Costa Rica, Cuba. The petty trades, which we now call the informal sector, grew at an accelerating pace. Open employment, also in the towns, galloped along.

The stage was being set for the disturbances which would begin in St Kitts in 1935 and conclude in Jamaica in 1938, flinging open the new era. Structural adjustments in the aftermath of World War I would disrupt international trade and payments. The protectionist impulse would facilitate if not generate worldwide depression and chronic large-scale unemployment. The terms of trade would turn even more sharply against

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

commodity producers such as we were - and still are - in the West Indies. Export earnings would pay forever fewer imports.

Three Royal Commissions would mark this progression to the fresh state of menace: 1897, 1930, 1938. Each would flirt with land reform and measures to consolidate the second or residentiary sector which the post-Emancipation society of the 19th century had demanded. In the end there would still be no counterpoise to the founding or plantation sector. The latter still soldiered on bravely from the 17th century believing that the road to salvation lay in keeping labour guaranteed and cheap, though now, at last, it was turning to more rational organisation and better ways of doing business through more mergers - and mechanisation in factory and field.

None of these Commissions would go the whole way - or even nearly - towards equipping the food-producing, residentiary sector with the wherewithal to become a purveyor of increasingly higher productivity output. Lewis would later challenge the claim that the reason for this was mostly political, however much it might have looked that way. The politics always has strong claims on our attention; it seems to offer ready explanations. However, in the light of experience, we still cannot rule out a genuine failure to perceive what was at issue in the formulation of policy, what, in the end, was the criterion of economic viability, and what could be done.

Because he brought theory and history as the bases of policy, Lewis was the first to discern the universal ramifications of the way West Indian economy and society had, from the start, been incorporated into the global order; and how micro reality, at the level of plantation and staple export sector, was linked to the macro reality, at the level of gains from trade distributed among and within countries. He would see that the mechanism which discriminated against primary producers and staple commodity exporters was the same which kept productivity low in residentiary food-producing activity. He would identify the criterion of longrun viability as being more than the existence - or creation - of employment outside of staple export production. Needed was activity which would keep on forcing up the level of what we nowadays call total factor productivity.

One thing that the requirement for viability does is raise the price at which resources are made available to the staple export sector. The aim is to place a floor below which the external terms of trade cannot fall for the primary producing economy, in its hitherto unequal exchange with the exporters of manufactures. There could always be differences over means. Here a problem lay also with the end.

The requirement was not accepted by a ruling and business class which had an absentee ethos; which thought it needed to realise its income in foreign exchange; which still had the idea it might be able to exit after a really good campaign; and which did not see any difference in the conflict of interest between itself and the peasants over national income, and the conflict of interest over world income, between industrial and primary producing countries.

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

From the standpoint of theory, though not of policy, Lewis would in time become less interested in the arithmetic of this parochial problem within the West Indies. He would be more and more absorbed by a wider algebra, the universal problem of primary producers as a whole operating in markets dominated by their industrial counterparts. As a young graduate, he had started his work on the West Indian peasant economy in 1936 when he was 21.

In effect, Lewis made his entry on the West Indian stage towards the end of the 19th century. Throughout the 50 years of the 20th century, his ideas were to be a major plank of public policy throughout the islands. We would make a spirited attempt to found that new dynamic sector starting this time not with peasant agriculture but with urban industrial manufactures.

Not many would distinguish fundamental from incidental; or strategy from tactic. Not a few would fail to see that while a new dynamic sector was imperative, it could take the form of either residentiary agriculture or industrial manufacturing, or the two in tandem, each necessary to the other. Not all would be clear about the division of labour between agriculture and manufacturing; about which of import substituting and export oriented manufacturing should enjoy the priority; in what terms the distinction might be drawn between import replacing and import displacing activity and to what purpose; or about what distinguished capitalist from non-capitalist business and to what effect.

Few were sure whether the setting up of a manufacturing sector, import substituting or export oriented, was a choice we were free to exercise for ourselves, as traditional primary producers, or whether industrial countries, particularly their manufacturing companies or corporations, might not have their own motives for changing the traditional division of labour among countries and for switching the location of production.

It is only in retrospect that such issues are being subjected to a comprehensive sifting. But the more we sift, the more we find Sir Arthur's interventions to have been pointed, in town or in gown, as theorist or as practical policy maker, wrong or right. The French word is *incontournable*. No way you can get around him; no matter what the issue, it is invariably with him that you have to come to terms.

20th Century

The West Indies ended the 19th century in 1940 just as it had ended the 15th, 16th and 18th centuries. Again under threat and in need to change its way of doing business. Essentially one productive sector devoted to staple exports. The staples were greater in number, on account of peasant initiative in respect to the production of bananas, coffee, arrowroot, ginger, spices, cocoa, citrus, a host of minor staples. And yet, the economy

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

remained externally propelled and excessively specialised in exports, still too vulnerable to changing terms of trade.

After Emancipation, we had begun to establish families and to construct something of a city for a free people whose numbers were now for the first time expanding in most places. We had moved towards the production of food but nowhere near food security and further still from a change in taste in support of such security. We had emerged with no more than a few elements of the economy we needed.

The labour disturbances lasted from 1935-38. They announced our intentions to change the government, the concept of management, our way of doing business. Organised labour emerged in the shape of Trades Unions. Then came the political parties quickly after, in the quest for self government. At first, the strategic requirement seemed to be dominion status under the aegis of a West Indian Federation. In *Columbus to Castro*, Dr Williams noted an agenda soon becoming much more radical in substance. From constitution reform, focus shifted to business ownership and control, landholding, employment, minimum wages, social welfare and public spending.

Successive Caribbean Labour Congresses pronounced on these matters. There had been the first in Dominica in 1932. Guiana would follow in 1938, Trinidad in 1945. These deliberations over the strategy for change would culminate in the Closer Association Conference in Montego Bay in 1947 at which we opted for Federation. Mordecai has pointed out that the shift of focus from political and constitutional to social and economic militated progressively, if insensibly, against the regional project. We seemed not to have recognised it, to have been surprised by the development. Emphasis seemed to fall more and more on the way the location of political responsibility in the single island had become crucial to the whole scheme of regional advancement.

One thing seemed to work unequivocally in the opposite direction. It was the expectation that manufacturing activities would be made more feasible by a wider home market. That implied at least a Customs Union. The projected industrialisation gave new impetus to both economic reconstruction and nation building. This same development would, however, require vigorous government at the level of both the individual territory and the federal or central administration. That is very clear now. It was not so clear then. At both levels, the Lewis' call to abandon colonial laissez-faire found considerable resonance and reponse.

The case for industry had won not a few advocates, especially in Jamaica, even after Moyne had been only lukewarm. Still a graduate student, Lewis' had offered to make an appearance before the Commission but the offer was not accepted. Both Professor Kari Levitt and Dr Eric St Cyr take the view that at first Sir Arthur seemed to have in mind industry based on the supply of locally available raw materials. But by 1947 Dr Lewis had had a sharp exchange over *An Economic Plan For Jamaica* with Professor Frederic Benham, Chairman of the Economics Affairs Committee of Colonial Development and

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

Welfare. His emphasis had shifted. By 1950 he had published his two definitive papers in the *Caribbean Economic Review* of the Anglo-American Caribbean Commission.

In *Industrialisation of the British West Indies*, Lewis fashioned a full programme by which Governments would seek to get manufactures going. Drawing on relevant experience in the *Economic Development of Puerto Rico*, he showed Governments in what ways they could immediately become active. Industry required resources, knowhow, markets. The task was to motivate, furnish incentives partly by filling critical gaps. These were clear marching orders. They still echo in the studies which identified actual branches offering opportunities for investment and feasible projects. Though not domiciled in the region, Lewis had emerged as chief spokesman and dean.

As always, moment and context counted. It was a turning to self-government and for the first time to policy responsibility. In 1944, Jamaica had adopted Universal Adult Suffrage, followed by Trinidad in 1946. In the Caribbean things seldom jump and they scarcely jumped now. But this was still a new time. World War II had brought much of the import trade to a halt. The threat by German submarines to Atlantic shipping had reserved the home markets, both for food and light manufactures, to enterprising home producers. Those special conditions even involved a measure of official encouragement which could not and did not last but, in both Jamaica and Trinidad, opened a way to initiative at the turn to the 1950s. In Trinidad, the Shaw Committee emerged in 1947, in some ways counterpart to Benham.

Pioneer investment legislation, some targeting specific activities such as hotels, some enacting specific measures such as tax holidays, all date from this time. Jamaica set up its Industrial Development Corporation, variant of the celebrated Fomento in San Juan. That agency would not appear in Trinidad and Tobago until 1958, set up by Dr Williams, now Chief Minister, once close collaborator of Dr Lewis in work prepared for the Caribbean Commission, fully a decade before.

Dr Williams had invited Professor Lewis to join Mr Teodoro Moscoso in writing his First Five Year Development Programme, 1958-62. Looking back now, it is hard not to declare what a charismatic combination it was. It involved two separate fountainheads, with another in the person of Mr Norman Manley, then running Jamaica Welfare out of Kingston, in broadly the same perspective.

If the season counted, so did the individuals and the team. It was a time of new hope. A venerable tradition was being consummated now in lucid, pointed, careful work, professional in tone, revolutionary in impact. A whole strategy of churching and schooling had at last come to fruit. It is only looking back now that we can gauge the full meaning, in the double tradition since founded by Sir Arthur - at the Caribbean Commission, in the Planning Office, at the University of the West Indies, at the Caribbean Development Bank.

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

First, a tradition of management explicitly informed by theory and by research. It brought the West Indies into the modern world. For almost all of three hundred years, West Indian policy and programme had been the exclusive preserve of His or Her Majesty's royal commissions, responding if not reacting to crisis and upheaval, habituated, according to Richard Pares, to the short horizon and the great gulf. Second, the concept of public service, formed, it is true, by precisely the royal commission but falling in even more naturally with the concept of fitness to rule, almost the motto of the eminent elites, emerged from the colonial schools. The fertile marriage of theory and policy could, in any case, be effected only in the context of service. The matter came up earlier this year. The three volumes of Sir Arthur's *Collected Papers* were presented to the CDB at the corresponding Arthur Lewis Memorial Lecture in Barbados. Bank Secretary, Ms Maisie Plummer, recalled a scholar pre-eminently of town as well as gown. One who matched intellectual capacity with flair for the real world and for getting things done.

Town and Gown

Professor Lewis' writings are addressed almost wholly to issues such as the gains of primary producers from their overseas trade; approaches to the planning and management of economic development; how and why countries become or do not become competitive, viable, prosperous; conditions under which entrepreneurs and business leaders emerge. It is quite remarkable how practical has been the focus, never without explicit theoretical foundations but with almost no notion of theory which was not theory of action. To these concerns, Sir Arthur brought a rare combination and command of history, theory and statistics.

We have here a clue to a distinguished breed. Nation builders emerged in the wake of a leader to run institutions and to shoulder responsibilities straddling sundry disciplines and domains. They would find theory, invent it where necessary, for translation to vision, programmes and measures. They would serve in all West Indian jurisdictions, bridging the tensions between whole and part, disinterestedly, fearlessly, carrying out the mission, fulfilling the mandate, with lucidity, detachment and rigour.

Especially in the persons of the late William Demas and Sir Alister McIntyre, Sir Arthur would find two exceptional lieutenants in the identical tradition. Their greatest but most undervalued achievement, one feels, is that, in the islands everywhere, they have created an informal party of adherents to the cause of Caribbean integration. For the many-sidedness of both their responsibilities and their talents, Sir Courtney Blackman has chosen the title of polycrat to describe the cadre to which the Caribbean has consistently confided its trust. Because they have refused to play politics, their political validity as polycrats is precisely the software they bring to the hardware of government, administration and agency. What they offer is selfless and committed service in the cause of Caribbean construction. The response they provoke from the cadre of emerging

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

collaborators, in all parts of the Community, is owed a spontaneous recognition of integrity and distinction.

In all this Lewis is *primus supra pares*. He hails from that transitional generation which found itself guiding the journey to sovereignty, independence and integration. There are significant differences of age and personal history which explain Sir Arthur's individual performance, his choices, his triumphs, his errors, his revisions and the responses to him, as well as where he ultimately sits, secure in the firmament and imperturbable. There can be no doubt of his rank - and not only in time. But we must hasten to locate him in his time, which was a time essentially before self-determination, a fact which could only have governed his perception of what was significant, his estimates of what was necessary - and possible.

Sir Arthur was born in 1915; the big event in his life must have been the disturbances of the 1930's. He cannot have failed to seize the significance of mass unemployment and unlimited supplies of labour. From the point of view of theory, his great insight was to understand stagnation in the poor primary producing countries in terms of the surplus of the one productive factor. Keynes *General Theory* had been emphatic: underemployment and the low level of economic activity involved an abundance - an involuntary idleness - of the whole range of factors. From the point of view of policy and programme, the Fabian pamphlet Lewis issued on *Labour In the West Indies - The Birth of a Workers Movement* contained seeds of many of his later proposals.

For us the issue with this sherpa is the epistemological one. To assess what we have accomplished, and failed to accomplish, over the long span, with and through Sir Arthur, and without him; to become aware of how we have come to see and to fix the problem of economic transformation; and to appreciate what has been mandate and challenge, and how remarkably fertile was his response, we need to understand the whole phasing and staging, as the career of the West Indies unfolded. We risk doing injustice to the generations, particularly the transitional generations, equally its senior and junior cadre, if we are less than aware of the watersheds, of the thresholds on one side of which things seem one way, only to bear very scant resemblance, or no resemblance at all, when viewed from the other side.

The importance of these caveats, is, if anything, enhanced, when we are concerned with town and gown. At issue here is the intellectual tradition, the critical tradition, the tradition which links knowing with being, joins the positions we take with the context of our experience. It is a tradition which today inevitably highlights the large new class of university-trained cadre, successor to the small elite which once emerged from the colonial school. In some ways, it is ironic that Sir Arthur has another face to him as educator and administrator in the university system, in his roles as Principal of the UCWI and Vice-Chancellor of the UWI at a seminal moment.

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

21st Century

For all practical purposes, the 20th century in this region lasted hardly more than 50 years. It has been, above all else, a period marked by the rise of the self-governing state, often thought to be the nation state but more and more revealing itself to be the state with more than one nation, or in the Caribbean, also the state with more than one island.

The process began when the Ottoman and Austro-Hungarian empires collapsed during World War I, but it did not gain full momentum until India broke free from the British after World War II, opening the floodgates to more than 150 new states by 1995. (In 1900 there were only 18 Central Banks, now there are between 170 and 180).

When this movement to sovereignty was consummated in the fall of the Berlin Wall in 1989 and the evaporation of the Soviet Union in 1991, its antithesis, the level playing field, had already begun to make its appearance. Before 1981, Dr Williams was already voicing suspicions about a new trend to the recolonisation of newly independent countries. In his book, *Critical Issues in Caribbean Development*, Demas draws attention to separate British and American proposals that, in return for aid and protection, some states in the Caribbean should surrender their responsibility for defence and foreign policy to some appropriate regional power.

In important ways, this is the end of the 16th century once again. New popes draw lines again to divide the world among the others (*inter caetera*). For us these are clearly times of trouble though it might be a mistake to attribute our predicament to smallness and openness, as is the too comfortable habit. There might be a much better case for seeing the current challenge to constructing CARICOM, and too, with making ourselves active and competitive in the global order, as an extension of the problem of sifting and interpreting our own experience, with making sense of road travelled, and what it has meant for leadership, management and strategic intervention, at critical moments.

It is salutary that, even before the recolonisers' vision of the future had become public property, we had ourselves recognised that it was *Time For Action*. The concern which the Heads put before the West Indian people and the West Indian Commission at Grand Anse in 1989 was not the implementation of CARICOM decisions. It was the state of preparedness in which we found ourselves for the 21st century. An invitation to take stock. There had been the four oil shocks of the 1970's and 1980's. The 30 glorious years of almost uninterrupted growth had come to an end to coincide with radical changes in the international financial system, the retreat from Bretton Woods. Now the terms of trade were deteriorating. Commodity prices continuing their fall. Aid programmes being cut. The volatility of the global environment was on parade in the almost cavalier recycling of petro-dollar surpluses mainly by commercial banks, followed by the so-called debt overhang which, in turn, would be surprised out of the blue by a wholly unheralded revival of foreign direct investment and massive new flows of capital to emerging financial markets.

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

It was not only the financial system which exhibited new features. Four Tigers had taken the Lewis model and made industrialisation good, altering the pattern of production and trade, and shaming us, as Richard Fletcher has hinted. They had not only joined Japan to make the Pacific rather than the Atlantic stage centre; they were also pulling the dragons along. Even if its expansion seemed to be driven more by the widening of capital investment rather than by any rise in total factor productivity, Asia seemed ready for the future, at least readying; and it would prove its mettle by the speed of its recovery from a wholly unprogrammed setback in 1997-98.

Meanwhile Europe duly went to the Single Market. That was 1992. North America consolidated her Free Trade Agreement by incorporating Mexico. 1994. Just in time to steer the final stages of the Uruguay Round of multilateral negotiations from GATT to its consummation in the new system, rules-based. The World Trade Organisation surfaced as perhaps more of a supra-national agency than any we have known, though scarcely in the image and likeness of the International Trade Organisation Keynes had proposed in the middle 1940s. No question now of equal sharing of responsibility for fundamental imbalances in trade and payments between surplus and deficit countries. No question of global foreign exchange reserves and international liquidity arrangements which would compel collective attention to the Lewis problem of long run decline in real commodity prices. Each for himself. It could scarcely be clearer. The time was done for the whole regime of non-reciprocity which we, with our planter history, had been past masters at re-inventing.

The CARICOM Response

What would be the response from CARICOM? Well, we'd already embarked on a widening and a deepening, the widening clearly in part a strategy for giving new impetus to deepening. The widening involves two main tasks. The lesser has been to create the Association of American States as a bridge to Latin America, to its leader, the Market of the Southern Cone (Mercosur), and the preparations being made for the Free Trade Area of the Americas. The greater task of widening has been to convert CARIFORUM into an instrument for tying the Dominican Republic into the core Caribbean where we think it belongs, on grounds of kinship, society and culture, much the same as Cuba, as that island prepares itself, and is prepared by patient diplomacy, for the new stage and the new concept of integration. Surinam and Haiti in the meantime have drawn closer in opting to join the Community.

The deepening of the CARICOM core is meant to proceed mainly through establishment of the Single Market and Economy: free trade; the common external tariff; fiscal harmonisation; common conditions for setting up and running business; an effective system of regional payments facilitating a single currency; integrated financial and capital markets; joint machinery for external negotiations, starting with those concerning a post-Lome Convention with Europe and a post-NAFTA extension to the FTAA; much

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

more coordination of foreign policy, not only economic. This, at any rate, is the plan or the intention. But how will all or any of this be effectively put in place? The Treaty of Chaguaramas of 1973 is being effectively revised through the adoption of six protocols. The question is this: how will agreements reached in parleying between leaders, signed by the latter, and enshrined in constitutional or legal text, be definitively converted by culture and politics into obligations of popular habit and daily routine? This is what has repeatedly surfaced as the implementation problem. It transports us into a realm of being and knowing left almost wholly unexplored by the intellectual and scientific tradition here in the West Indies.

Speaking at the Millennium Conference in Mona some weeks ago, Mr Owen Arthur acknowledged that the old regime of Imperial Preference and non-reciprocity had all but passed away in more ways than one. Liberalisation and de-regulation had abolished certain if by no means all barriers to equal international, interbloc and inter-group trading. Moreover, the value of preferences relevant to us here in the region had been appreciably eroded by the spread of most favoured nation treatment. The current shelter could not last; it would in any case probably not be worth the trouble. Only in the case of the OECS did agitation for a transitional regime of extended shelter seem absolutely indispensable, on grounds of the high proportion of production which now enjoys preferences and the large share of government revenue contributed by foreign trade taxes. For the rest - Barbados, Belize, Guyana, Haiti, Jamaica, Suriname and Trinidad and Tobago - little option but to change the way of doing business.

The Prime Minister of Barbados agreed that the Single Market and Economy could not be escaped, if only to stiffen the negotiating posture of the Caribbean Community, in a world gone open regionalism and global integration. Both the deepening and the widening had no choice but to stay on course. But what point would there be in either, if we continued to miss the central issue? What strategic measures and projects are required if the Caribbean is to alter its terms of trade in global markets? If it is to change its way of doing business and acquire some more appropriate variant of competitiveness - and viability? This was the question at the end of the 18th century. Again the question at the end of the 19th when Sir Arthur made his entry. At the crossover to the 21st, it is the question once again. Brings us brusquely back to the Lewis criterion for viability.

World Economist

It needs to be realised that Professor Lewis was a world economist first, a West Indian economist second. Though he has offered us copious analysis and proposal, and in spite of his *incontournabilite* in Caribbean public affairs, in a curious kind of way, Sir Arthur is not a West Indian economist at all. This is neither boast nor indictment and I know from experience it is something we are not at all accustomed to hear. The reference is neither to loyalty, commitment, identification with his origins, the scope of concern for our problems, or his unqualified belonging. One rather means the place of observation and decision from which his work arose - organically and naturally. That place was

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

England and it had every right to be. Given Sir Arthur’s generation and personal history, it could scarcely be otherwise.

Lewis was a thorough and legitimate Ricardian. It is easy to see why, from England, he took as his unit of modelling and primary field of enquiry not the West Indies but the whole of the international system of capital migration, income appropriation, trade and payments. What is striking in his West Indian work is how close he came, through insight, intelligence and industry to getting the story right. He not only assembled but devised so many crucial pieces of the puzzle; he understood so much. But he got it wrong and it is surely no skin off his nose if we proceed to say it squarely. Sir Arthur does not need to be buttered up. He survives with honour.

At least in the 20th century, the industrialisation of the British West Indies did not advance in anything like the way he projected. Havelock Brewster has had second thoughts about the role of manufacturing in the dynamics of West Indian economic integration while Kari Levitt has suggested that, in retrospect, Lewis might have been better advised to explore his early ideas about residentiary agriculture as the sector to lead.

The issue here is an elusive one but transcendent. The novelist Wilson Harris has raised it in relation to the leaders we selected in our resistance to slave and colonial society and in the struggle for selfhood, including self-determination and self-government. The price seems somehow to have been a loss of a quality, not of sensitivity or compassion but of intuition, to all intents and purposes, systemic. Looking back now, it is hard not to speculate that the issue was one of blinkers imposed by the simple or not so simple fact of generation.

On this side of independence, we can be just as confident that the Lewis model of industrialisation was unworkable in the specific cultural context, at the moment of freedom, as, on the other side, after Emancipation but before Independence, it seemed revolutionary and the most compelling of prospects. Much complication lay with the overlap. The transition was messy, the cut-off less than neat.

The situation could only have been exacerbated when the dynamics of the labour disturbances were tempered by World War II. The hostilities further accelerated self-government. They also delayed the entry of a cadre which would have included Manley Senior as well as Padmore, James, Williams, Lewis, and many other luminaries. Gifted individuals to whom we all acknowledge the enormous debt of the West Indies. One feels that here is the place to pose the issue of a balance sheet. Does the sequel not suggest we incurred huge costs merely by having had the agenda of history put back by effectively a decade, from 1940 to 1950?

Lewis was deprived of two experiences, each capable of being decisive on its own. He did not live and work in the West Indies continually from the days of young manhood,

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

before he had become famous, the better to imbibe sights and smells, see how the culture worked, how the small and the poor as well as the rich and the powerful lived, be subject to the unanticipated developments and accidents which are the true source of wisdom. He suffered and missed, say, the significance of the pan as entrepreneurship, symbolic and instrumental.

It is precisely because Sir Arthur saw so much else, was so sharp, that it is in his case we can see the issue of knowing and being, at the heart of the epistemological concern. Most things one has to know before one knows how one knows them. In any case, the function of leadership is to understand what will happen not after but before it does. Perhaps our great tragedy was that, when Lewis graduated from the London School of Economics, with the highest marks ever scored, he applied for the clerkship of the Port of Spain City Council only to be summarily turned down.

The second thing about Sir Arthur is equally intriguing and perhaps one which Lloyd Best of all people can hardly escape drawing to people's attention. Just as I was the one to lampoon his strategy in 1960 by naming it “industrialisation by invitation,” I did indeed refer to him as an Afro-Saxon person. Though these terms surfaced in rhetoric and as humour, they did have more than a ring of dismissal; there can be no question about that. The West Indian anthropologist, Raymond Smith, was to comment on the irony of usage. Such naming could catch the imagination, he said, it could sting and stick, only because it was reaching for something at once meaningful and real - and ambiguous.

It is enough to say that Sir Arthur met my jibes with his own characteristically spirited reply. For him, an Afro-Saxon was a black man who could compete on the white man's ground. Seen from this side of Independence threshold, there is still irony there which he perhaps did not and could not see. Later generations do not need to compete on the white man's ground in that way for precisely the reason that Lewis, Williams, etc., were first in the first class and have proved anything we think we needed. They already make the track for gouti to run. We can turn to other standards of excellence with ourselves at the centre. You might say we can turn to raise productivity in the residentiary centre to set a floor to the external terms of trade.

I was of course compelled by Sir Arthur's response to revise the meaning I first gave. Afro-Saxon came to refer to Africans - all Africans and other people functioning within the culture-sphere of African America - obliged by the balance of social forces, today under conditions of independence, yesterday under conditions of slavery and colonialism, to practise European culture and to operate European institutions - in America. Mr Manley Senior understood the requirement and put it squarely. We have had somehow to acquire fitness to rule. Wilson Harris and some others have entered the price of that requirement on to the balance sheet of pluses and minuses. But Manley, Lewis, and the rest of the post-Emancipation but pre-World War II generation were in their time right. We have had at least three important thresholds: Arrival in America, Emancipation, Independence. Viewing the world from their side of the threshold, the only side from

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

which we can fairly judge them, they were right to acquire a fitness to rule on the white man's ground.

Did the West Indian population as a whole have any choice but to become creolised and Afro-Saxon? How much popular complicity was there? What other escape route did we have available? The creole culture was imperative - not option. But it implied problems of identity - and it still does - for every one of us. In the case of the most eminent elites and individuals, such problems are necessarily magnified. Was it not the job of leaders to be equipped to deal with the world from the colonizer's standpoint? But then, how could that disgrace, degrade or even taint? The further questions are two. How does the culture now contrive to escape from itself, once we are independent? And what does all this imply for these ready-made models of class?

Many of the problems we now have on this account arise from the almost complete absence of in the West Indies of any critical, intellectual or philosophical tradition. Even a perceptive scholar like Demas, in the *Postscript* to his book cited earlier, has made the most astonishing comments. He knew it to be commonplace for one generation to murder its predecessor, simply clearing ground, with no special sense of right or wrong, in the heat of the moment, before tempers cool, maturity sets in, perspective is regained. Especially when the politics gives rise to its own polemic, did such a great teacher expect the clash of swords ever to be contained by mere exhortation or by some pious wish to make us all into family and friends with no conflict over space?

Now all that will matter is if the insights and intuitions survive the cut and the thrust. If faithful to inner promptings, we will usually stay close to what it is possible for the rest of the world to digest. I am at pains to utter such sentiments - and to utter them here - precisely because it is the presumption of animus, of hate or spite, which is wholly preposterous.

It has been suggested that Professor Lewis is not a West Indian economist. One could take another view and still concede the point in its own terms. It was in complete innocence and with complete sincerity that in a review of Demas' *The Economics of Development in Small Countries* I named him as the first. It had nothing to do with denial of Lewis and as far as I can judge, my reason stands. I did not have to agree with Demas' small size thesis to see that he had explicitly taken the region as his unit of theoretical analysis. It takes no skin off Lewis' nose to recognise that, for his part, he modelled the English experience but made it universal by postulating unlimited supplies of the one factor - labour.

Unlimited Supplies: The Model

No other West Indian economist has achieved Lewis' stature or come close. For the range, depth and scope of his view, and for the wide applicability of his work, theory and prescription alike, Sir Arthur could justly claim to be the real founder of what we all now

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

call development economics. This is one Nobel Laureate who truly deserved the honour. Hear Dr Eric St Cyr:

Despite many criticisms, the model continues to attract young minds and to inform public policy. The elegant simplicity ... and the unassailable power of its logic are partly responsible. After nearly three decades of its application, with doubtful success indeed, its continued appeal perhaps stems from the basic, almost self-evident, truthfulness of its policy stance, namely that poor countries can only improve their material position by raising productivity in agriculture and simultaneously expanding manufacturing industry.

It is now well established that Lewis' model of economic development and his fuller statement on the socio-political determinants of his theory of economic growth represent a major intellectual challenge on the apparatus of Western economic thought regarding the relationship between the industrial nations of the North Atlantic and the agrarian regions of the tropical and sub-tropical world.

St Cyr restates the criterion we in the West Indies are looking for as we cross to the 21st century. We do not have to be wedded to either agriculture or manufacturing. But there needs to be a residentiary sector of some sort through which the preferences of the national culture and civilisation can emerge and to which must be assigned the role of setting the internal terms of trade, the prices at which factors of production are made available to the staple export sector and by extension, laying the floor below which the external terms of trade cannot fall.

St Cyr realises that the power of the Lewis model is that it treats with **the general case** of primary producing countries, passively incorporated into the global order, inveterate price-takers. The clear implication is that the model cannot apply to the Caribbean countries. We are not simply primary producers but staple exporters created by absentee investment. Right from the start we have been so excessively specialised that there is little or no flexibility in the allocation of resources where food and materials production for the home market is concerned.

St Cyr finds that Lewis model is universal model but that it has two applications which lead to different recommendations. First, there is a closed model which invites development through export oriented industry. Then an open model which leads to improvements in food production for the home market. St Cyr wonders if Lewis was not somehow really intending the former to serve specifically for a West Indies which was clearly short of cultivable land while offering the latter for those countries which enjoyed more favourable endowments. He is satisfied that, in his rationale for the industrialisation programme he proposed in 1950, Sir Arthur anticipated the formal model he would publish in 1954. Lewis had concluded that the islands had no choice but to embrace industry at all cost. He had shifted ground from an organic, supply-led programme based

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

on domestic resources, to one which gave priority to import substitution and export promotion for labour absorption. St Cyr is not able to fathom this thinking, given that sugar was a staple and not a food, that it occupied large tracts of land and had experienced tremendous gains in productivity only to have them eroded by worsening terms of trade.

Why then did not Lewis recommend the substitution of domestic food production for sugar production as a firm basis for the supply-led industrialisation he conceived initially? Was it because the model is inappropriate or because he applied the ‘closed’ model to this case and not the ‘open’ and the ‘closed’ models together? Or was it because this radical proposal would have shaken Caribbean society to its roots?

St Cyr concludes that he is tempted to contradict Lewis and to argue that political factors are more important than economic in the present international division of labour. He feels sure Lewis agreed with critics that his development strategy had not delivered the expected results. St Cyr attributed the outcome to assumptions of the model which “did not fit the reality.”

In this way Lewis’ model was not scientific. His observation of the Caribbean reality was not correct, mainly because the telescope through which he peered was the Ricardian model, designed correctly to throw light on the situation in nineteenth England.

St Cyr would perhaps have been even fairer to Lewis had he perceived that this was not a West Indian economist principally concerned in his theoretical work with these primary producing islands. That that was why he retained algebraic categories such as the “traditional” and “modern” sectors. It is the reason he never posed the issue in terms of the central conflict in society, “between the multitude clamouring for social and economic betterment and the holders of power seeking to maintain their positions.”

It is doubtful that the “plantation” theorists who came after Lewis had any superior social conscience or larger commitment to the great majority of the people. St Cyr records that they saw the main contradiction in society:

between its external and its internal orientation, whether to continue to organise the society, as it was from its inception, to produce for the external market and accept as logical consequences import dependence (foreign technology and the external orientation of its ports, roads, banks and people) or whether to organise for living in this region with the implied changes of production for home consumption, the clearing of factor markets, and so on.

St Cyr realises that the first condition a relevant model must meet is to counterpose the plantation against the residentiary sector, whether the incarnation of the latter be

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

agriculture, manufacturing, or other. He realises that Lewis had something of an intuitive feel for this but he was hopelessly ambivalent; he did not quite see the sense in which the new dynamic sector of the 1950's was merely a fresh version of the residentiary sector of the 1850's; and that manufacturing was only one possible form that the new dynamic sector could take. In a way, Lewis was necessarily prisoner of the English experience, would remain tied to a shift to profits and would not even suspect that accumulation might be possible out of wage and non-profit income.

St Cyr appreciates that to seize what lies behind the cleavage separating plantation from residentiary activity is at one and the same time to pose the issue both of income appropriation and of fundamental social conflict, and on a world scale. No need therefore to invoke concepts (such as class) which risk importing gratuitous confusions while still failing to capture critical components of cleavage and order, specific to the context.

The danger here is that so many become running dogs of socialism in much the same way as their counterparts in respect to the capitalist alternative. The reason we need thought which is independent of both is that, for precisely the purpose of being scientific, it has first to be organic, to derive from the experience and from the facts of the place. If Lewis failed on that account and seems, on St Cyr's reading, to have been a trifle mechanical, it is for two related reasons.

First, he never worked at an explicit West Indian model aiming to make sense of the whole. Why should he? From his seat in Manchester, the whole that concerned him was the world. One reason for that was that the politics in the West Indies was long in making space for him to return in a useful capacity. Those politics certainly also explain why he never proposed a wholesale conversion of plantation lands to food production. That would have been completely unfeasible under any conditions other than self-government. And even then! From an epistemological point of view, we can see that it is important that Lewis' ideas, if not his model, were formed in the late 1930s; and that the delay occasioned by the War was significant.

When he did return to the West Indies, Sir Arthur did not revise all his notions. In his *Economic Problems of Jamaica* (1964), and later in his Addresses as President of the Caribbean Development Bank (1970-73), he puzzled over developments. As usual he was wise, witty and insightful, brimming over with practical ideas for getting things done. Demas was fascinated by his discussion of management options: incomes policy, exchange rate manipulation, raising of productivity levels. But Sir Arthur's old problem survived. Having never formulated the challenge in comprehensive institutional terms, pitting the plantation against the residentiary sector, even he, lucid and rigorous as he invariably was, could get only half the answer right.

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

The Lewis Firm

Dr Terrence Farrell has reviewed the Lewis Case for Caribbean Industrialisation. He is satisfied that the management of the Lewis programme was severely lacking. Governments never retained the original emphasis on export-oriented industry, transfer of technology or Customs Union.

The truth of the matter is that the Caribbean governments followed none of the key elements of Lewis’ strategy except the invitation of foreign capital, the one element that was clearly wrong-headed and dangerous.

Farrell also realises that central to the outcome of the programme was the type of firm Lewis had had in mind which was at worst the classic Marshallian family firm, at best the Keynesian manufacturing company, with overseas branches, capable of exporting finished goods from any location and perhaps even of transferring technology from headquarters to a given environment. The animal in question would be different, more like Galbraith’s modern industrial corporation, a multinational, or even a transnational, a production network, with no particular commitment to finished exports, in the Lewis sense, from any given location.

The mode of organisation is critical and it is clear that two policies utilising the same basic strategy but employing different organisational modes will have different economic and social consequences. Lewis utterly failed to perceive this, and proceeded to invite the same foreign capitalists who had plundered the Caribbean for centuries to initiate and execute the industrialisation strategy.

In highlighting the firm as the crucial doing part, Dr Farrell comes close to seeing that Lewis operated with less than a full picture, despite so many elements within his purview. In some ways, Farrell’s offering approximates that of St Cyr who, however, perceives the shortcoming in terms of the failure to identify the main contradiction between sectors.

Accumulation In The Classical Tradition

In two extremely fertile papers, Dr Vanus James fills out this picture. James does not agree with St Cyr’s view that Lewis may have been ill-advised to go back to Ricardo. On the contrary, he had been wise to “to write the theory of Caribbean development in the tradition of the classics and Marx.” James thinks it important to have retained the distinction between capitalist and peasant and to have drawn it in terms of the use the former alone made of both wage labour and reproducible capital.

Dr James is referring to Sir Arthur’s commitment to theory. Which is say to rigorous exposition seeking a cogent sense of history. Which is not, however, to be taken necessarily to imply macro models attempting to explain the dynamics of the whole. For

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

the Caribbean, Lewis offered nothing like the latter except in so far as his *Unlimited Supplies* fits the bill - or his sketch of the way manufacturing and agriculture were to pull each other up.

And yet, James realises from the 1936 work on the peasantry, Lewis was aware of the Caribbean food sector as “a creature of colonial capitalism, not a part of its pre-history... Lewis made it clear that the peasant in the Caribbean differed from peasants everywhere in the world...” This confirms that if Sir Arthur did not take this extraordinary case of his home country into the reckoning, it was not due to lack of information or insight.

Sir Arthur advanced argument, adds James, “which fully anticipated Demas’ (1965) analysis of economic development in small countries.” The industrialisation effort would have to be largely export oriented for reasons of economies of scale and size of plant. The Caribbean would have to develop firms capable of internationally competitive pricing. Sir Arthur was confident of his conclusions; he did not think that, in the way of theory, much else was needed. It is no surprise that he was surprised when the economy somehow failed to make the industrial take-off.

Much more was indeed needed and much of the requirement would have been brought to light if a more comprehensive model had been attempted. Such a tool would very probably have provoked an exploration of the setting, including the politics of Government, Labour and Capital.

James admits that Lewis expected peasants and capitalists to be transformed into more effective businessmen as a result of their interaction with foreign capitalists; but he did not

anticipate what is perhaps the most important aspect of Caribbean class formation since slavery, the evolution of a subclass of capitalists from within the peasantry and subsistence economy

This failure James attributes to sundry limitations of the neo-classical concepts Lewis employed - the “language” - as well as to “incomplete analysis of subsistence accumulation.” He thinks Lewis was wrong to hold that large-scale initial capital investment was indispensable to the viable industrial capitalist. James produces data from a 1995 survey conducted in Trinidad and Tobago to show that indigenous small scale capitalists have indeed made an appearance, under challenging conditions, but seemed not to have required the initial large-scale investments Lewis assumed to be necessary.

James concludes that, from his vantage point in history, Lewis could not have perceived how a class of indigenous capitalists could have arisen from among peasants. If this is an epistemological point arguing that each generation has blinkers, it cannot be disputed. Or if the point is that some eras rule out certain options, again it is taken.

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

But this case involves another kind of limitation. In my own piece on *The Contribution of George Beckford*, I made it plain that the so called plantation theorists had a genuine quarrel with Lewis and it had nothing to do with the notion that “he saw imperialism and foreign capital as part of the solution while we saw it as the heart of the problem.” The real difference lay “in the causes we adduced to explain mal-distribution of the gains from trade which had so agonised him along with Myrdal and Singer.”

Plantation theory offers a theory of longrun stagnation as well as of short term mal-adjustment. Lewis, an IDB paper has recently pointed out, was fully on to the Dutch Disease, “booming sector effects” amounting to a curse routinely visited by natural resource sectors on other activities. Sir Arthur’s criterion of viability has been repeatedly cited. It is predicated on the cost of transferring resources to staple production owing to chronically low productivity levels. Plantation economics set the stage for these internal terms of trade to be explained by more than highly restrictive or regulated land and labour markets sustained by almost all modes of Caribbean government: military, proprietary, planter, crown colony and independent.

Limited flexibility in resource allocation does indeed lie at the heart of the failure of the economy to diversify production and to achieve a more dynamic performance. The ways and means of this stagnation have been explored in a theory of expansion and contraction of the primary producing sectors over the long run - as well as a theory of profit and cash maximisation by the individual firm, in the shorter run.

In the Addresses he delivered as CDB President, Sir Arthur focusses, as he has done throughout, on savers and entrepreneurs, as critical bottlenecks. The limits of his approach lie perhaps in the concern with the volume of savings, or the flow of entrepreneurship. The issue may lie with what underlies or even undergirds them, in the specific cultural and institutional environment.

There is a particular pattern of pricing imposed on the economy during its founding period by the plantation sector. It has tended to endure. It affects not only current management choices with respect to production and employment. It also conditions available resources through the operation and existence of markets for finance, for foreign exchange, etc. It affects the pattern of business ownership and financial intermediation. It determines the level and composition of investment.

If saving is low, planned and realised savings match each other. The latter depend on the pattern of business ownership, the structure of output, the ratio of tradeable to total output, the type of financial assets available for the holding of the saver’s assets, the latter’s susceptibility to capital erosion, and more. It is not as easy as it may seem to deduce the level or the incidence of planned saving simply by reading ex post data from the Savings and Investment Account. Much saving is frustrated and not a little is exported as factor income going abroad. At least there would seem to be fertile hypotheses to this effect.

Economic Theory and Economic Policy in the 20th Century West Indies:
“The Lewis Tradition of Town and Gown”

By the same token, perceiving if and where entrepreneurship is dormant is not a straightforward matter. Wilson Harris insists on the existence of “sleeping resources” which the educated elites among us simply do not see, owing to their loss of the faculty of intuition. The failure of perception may also in part result from the underdevelopment of theory and the formulation of models addressed to the specific conditions of culture and history.

We have scarcely begun to fathom the depths of the Caribbean economy. However, a new class of younger scholars are opening up old questions such as whether households and workers are consistently less than thrifty; or if entrepreneurship is as scarce as it seems. It has also been suggested that the performance of the manufacturing sector reflects decisions to re-locate by firms in capital exporting economies as much as the resolve to promote such activity and to encourage foreign investment by policy makers in capital importing countries.

The arresting thing is that, whatever the issue, whether his offering was partial or complete, right or wrong, Sir Arthur’s view has repeatedly to be reckoned with. All the more remarkable, if it is realised that he was not domiciled here for very long, and if it claimed he was not, or not primarily, a West Indian economist.

Abiding Legacy

I remember making one of the presentations during the first Nobel Laureate Week organised in Castries by the St Lucia Government. The Chairman said that what struck him was the quality of the response Sir Arthur always provoked. We have met him all through the 20th century. We are going to meet him over and over in the 21st. In the 19th century we did not reach viability with residentiary agriculture. In the 20th we also failed to reach it with manufacturing, whether import substituting or export oriented. We are going to have to achieve it in the 21st century. The route will probably be production of high value-added services, mainly intellectual and cultural.

There is an opening for us to tell the story of a people who would have saved themselves by their own exertions because, they at last came to see the relation between total factor productivity in the residentiary sector, the internal terms of trade and, by extension, the internal. Sir Arthur’s main legacy.

Something radically different is called for but two elements will abide. First, we know that theory is needed to inform and inspire action. Second, we know the virtue of service, meaning the role of a cadre of committed polycrats operating in a distinguished tradition.

These are not by any means all that we need. But there is town and there is gown. There is an exalted tradition. And that is plenty.