

SIR ARTHUR LEWIS

An Economic & Political Portrait

Ralph Premdas & Eric St Cyr

Editors



ARTHUR LEWIS
(Nobel Laureate 1979)

At age seventeen he was a St Lucia Island Scholar; by the time he was 33, he had been made full professor of economics at the University of Manchester. Of his vocation he later wrote, "I had never meant to be an economist. I had no idea in 1933 what economics was, but I did well at the subject from the start and when I graduated in 1937 with first class honours LSE gave me a scholarship to do a Phd. in industrial economics." He is best known for his article on "Economic Development with Unlimited Supplies of Labour" in 1954 and the book **The Theory of Economic Growth** in 1955.

"Arthur Lewis has come to be known for two explanatory models which with the simplicity of genius mark out the causes of poverty among the population of the developing countries as well as the factors determining the unsatisfactory pace of development." Erik Lundberg, Royal Academy of Sciences, Sweden.

The Editors

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Regional Programme of Monetary Studies
Institute of Social and Economic Research
University of the West Indies
Mona, Jamaica, West Indies.

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POLITICAL PORTRAIT**



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PREFACE

Apart from the introductory essay by the editors the papers included in this volume were all presented at the Fourteenth Annual Conference of the Caribbean Studies Association held in Barbados in May 1989 on the theme "Caribbean Visions: A Tribute to Sir Arthur Lewis." We are heartened by the renewed regional and world wide interest in the thought of this distinguished Caribbean son, more so because a mature judgement of his work now seems to be emerging. We trust that the debate is advanced by this work.

The editors record their thanks to the University of the West Indies for a grant from its Research and Publications Fund and to Mrs Ava George who diligently prepared the typescript for publication.

Ralph Premdas and Eric St Cyr
Editors

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I

SIR ARTHUR LEWIS: SYMBOL OF DEMOCRACY, DEFENDER OF HUMAN RIGHTS, FRIEND OF THE POOR

*Ralph Premdas
and
Eric St Cyr*

Known mainly as an eminent economist, Sir Arthur Lewis is rarely discussed as either a social or political thinker. To be sure, he has been often reviled by radical Caribbean political economists especially of the New World group as an unwitting tool of imperialism.¹ Left-wing political economists even in the University of the West Indies system exclude Lewis from their syllabuses so that many UWI graduates are practical illiterates in their familiarity with the scholarship of Arthur Lewis. He is frequently portrayed politically as a conservative suffering from a severe identity crisis misplacing his talents in the service of multi-national corporations and rabid capitalism. To a large extent these charges tell less of the authentic Lewis and more about the ideological biases of his detractors. Lewis is an unqualified West Indian patriot and nationalist. He often found himself in lonely combat with colonial officials as he tried to obtain a better deal for West Indians. As a black man, he faced discrimination from early in his career when he was excluded from entering engineering which was his first career choice. As fate would have it, the field of commerce, which was almost diffidently chosen as his alternative, won him the Nobel Prize. But he never forgot the early slur on his humanity as a Black person. He never deviated from his commitment to struggle, in his way, for the betterment of oppressed in the Third World.

In this introductory note, we wish to focus only on certain aspects of Sir Arthur's political and economic thought. We shall begin by examining his views on human rights and democratic freedoms. Lewis' repugnance of colonialism inspired much of his work. His approach was systematic and reformist. He did not seek revolutionary upheaval to transform colonial society. As a pragmatist, he sought sure-footed and incremental changes to consolidate the gains of directed social policy.

Sir Arthur is an ardent democrat. His main intolerance was for repression and authoritarian rule that so often followed the winning of independence in the Third World. Hence, when Kwame Nkrumah, Sekou Toure and others instituted the one-party system to monopolise power Lewis said: "It (the one-party system) is party the product of hysteria of the moment of independence when some men found it possible to seize the state and suppress their opponents."²

For some persons, the one-party system is not necessarily anti-democratic.³ But for Lewis, the facts show that it was rare to find a one-party state that was not authoritarian, limiting the choice of voters to decide their preference for their rulers and programmes. The single-party system claimed many advantages, but in fact concealed its failures. For instance, its proponents argued that the single party promoted unity in a multi-ethnic environment lacking in consensual values. To this, Sir Arthur pointed out that the truth of the matter showed that the single party rarely was able to raise itself beyond its own preferred regional or ethnic base. It, therefore, provided a convenient camouflage for domination. Said Lewis, then, "the single party fails in its biggest claim, that it is the appropriate vehicle for resolving regional differences."⁴

Advocates of the one-party system also point to the advantage of stability that it seemingly bestows on a deeply segmented state. On the surface, this appeared convincing. Lewis argued instead that "the absence of an alternative party means not only great instability, but grave errors of policy."⁵ Sir Arthur, democrat that he was, envisioned that correct policy as well as efficient use of scarce resources, was at the heart of the political process and responsible rule, and for this to be attained, divergent views often generated by opposition parties is required. Concluded Sir Arthur: "Free criticism is required to scrutinise waste, inefficiency, and corruption."⁶

As a strongly committed democrat as well as a realist, Sir Arthur did discuss his preference for an innovative democratic system within the practical context of the plural societies in the Third World. For Lewis, the biggest obstacle that had beset the ex-colonial countries was their internal cultural pluralism. It was not residual capitalist neo-colonial structures nor scarce resources, important as they were, that constituted the foremost problem in the Third World. Argued Lewis: "The fundamental problem of the Third World is neither economics nor foreign policy, but the creation of nations out of heterogeneous peoples."⁷ Lewis assigned priority then to the political problem of unity.

Pivotal to the challenge of creating these unified nations was the appropriate structure of the political system. The critical problem was to

design a democracy which could accommodate and reconcile the deeply divergent and seemingly uncompromising interests found among the cultural segments in the typical Third World state.

To begin with, he defined clearly what he meant by the term “democracy”. Simply, to him democracy described a polity in which access to decision-making was available to all persons, groups, and interests. At the individual level, it was the inherent right of the human person to participate in decisions affecting his/her life. The vehicle for access to collective decision-making was the secret ballot expressed in free and fair elections. Sir Arthur was unequivocal on the view that elections must take place. He was not impressed with claims to rule based on the size of crowds or on charisma. For him, it was the *ballot box* and only the *ballot box* that must determine legitimate rule. Said Lewis:

Democracy means that people are willing to accept the results of fair elections; the will of the masses of the people, fairly ascertained through the ballot box, is supreme in determining who will govern.⁸

Lewis must not be misunderstood here. He was speaking of an open system and an egalitarian order. His focus was, however, not just on the aggregation of individual votes into rule by a majority. He loathed the very idea of domination either by a single person or a majority. He condemned what he called “the divine right of the majority.”⁹ His central concept was formulated in the idea of “compromise.” Not only must opinions be freely expressed in an open system, but in a culture of tolerance and give and take, compromises must be beaten out representing the general will. In the idea of give-and-take, Lewis nicely built the institutional pillars of entrenched minority rights and opposition parties as vital to the legitimacy as well as vibrancy of a political order.

Clearly, Lewis’ democracy described a cultural formation and an intellectual orientation to sustain diversity, minority rights and opposition parties. In the political culture of bargaining, give-and-take, and compromises, Lewis envisioned a sociological order in which interests were recognised, freely expressed and tensions thereby released. A democracy that strove on differences forged into policies that reflected compromises, accommodation and tolerance served to contain social conflict. Lewis displayed remarkable sociological insight then in arguing his case for a democracy:

The case for democracy is not that it prevents tension, but that open discussion creates a healthier society than is achieved by suppression. The diffusion of responsibility diffuses conflict.¹⁰

The ideas of democracy that Lewis adumbrated would be incorporated in his prescription of the appropriate polity for plural societies. Fundamentally, Sir Arthur would pioneer in outline what today has come to be known as “consociational democracy.”¹¹ In one of the essays in this volume, Lewis’ contribution to this framework has been described in detail. Here, we merely summarise the essential ideas to show how complex and innovative Lewis’ political thinking was.

Sir Arthur recognised that Third World societies were different structurally from Anglo-American and European societies. In particular, he referred to the former as “class” societies and the latter as “plural” societies. He identified the condition of internal cultural fragmentation as the primary differentiator between the two systems. The fact of rampant pluralism in the Third World dictated that the Euro-centric democratic device, especially the Anglo-American variant be adapted to the peculiarity of the segmented environment of the Third World. He rejected outright the proposition by J.S. Furnivall and M.G. Smith that ethnic pluralism required an undemocratic polity for the maintenance of order.¹² He was one of the first persons to note that Anglo-American democracy with its built in zero-sum competitive electoral system was ill-adapted to the fissure-ridden Third World environment. Sir Arthur conceptually separated the zero-sum electoral variant from the idea of a democratic system pointing to many possible electoral variations that could be compatible with democracy. Said Lewis:

The doctrine asserts the right of the poor to liquidate the rich. Politics is what the mathematicians now call a zero-sum game; what I win you lose. You have the wealth, I have to take it.¹³

Translated from a class to a plural society, this view of politics is not just irrelevant, it is totally immoral, inconsistent with the primary meaning of democracy and destruction of any prospect of building a nation in which different peoples might live together in harmony.¹⁴

Democracy, to Lewis, it may be recalled, is decision-making that incorporates divergent interests in compromises. Zero-sum competition is obviously anathema to this concept of bargaining. Lewis found it repugnant “immoral”:

It is necessary to get right away from the idea that somebody is to prevail over somebody else; from politics as a zero-sum game. Words like ‘winning’ and ‘losing’ have to be banished from the political vocabulary of a plural society.¹⁵

From here on, Sir Arthur had clearly signalled his direction. The democracy he would design for the Third World incorporated institutions

for power-sharing such as coalition building, decentralisation, and opposition and minority representation. Avend Lijphart would refer to these ideas of inter-ethnic accommodation as “the Lewis Model” as the forerunner to his now famed “consociational democracy.”¹⁶

In Lewis’ formulation of a democratic framework for the Third World’s fragmented politics, he had however left unresolved a number of contradictions. We shall look at only one here. Sir Arthur did not believe in forced cultural assimilation. He preferred to design a system that recognized and protected each cultural and ethnic group’s claim to uniqueness, representation, and protection. He inveighed vehemently against the proponents of the one-party state who had intended to homogenize the population. For Lewis, unity was to be attained through a quasi-federal formula that permitted each cultural and ethnic group to govern itself within the terms of a broader nationhood. Argued Lewis:

Any idea that one can make different peoples into a nation by suppressing the religious or tribal or regional or other affiliations to which they themselves attach the highest political significance is simply a non-starter. National loyalty cannot immediately supplant tribal loyalty.¹⁷

Lewis advocated a system of decentralisation to accommodate the internal diversity in the multi-ethnic states of the Third World. Several problems follow inevitably from this. First, in a country such as Nigeria with over 250 discrete ethnic segments or Papua New Guinea with over 700 language groups in a population of just over three million people, what kind of a viable system of decentralisation can be designed to accommodate this level of cultural segmentation? What about secession — should a group be kept as part of a state against its will? What about regional disparities — does decentralisation not accentuate it leading to conditions of instability?¹⁸

We are sure Sir Arthur has answers for these and other questions. What is clear from all of this, however, is that Sir Arthur would prefer to err in favour of freedom than to resort to coercive practices and institutions. He believes that democracy provides a positive environment for development. It is necessary to answer the charge that Sir Arthur is an uncritical advocate of the liberal democratic state. Coming from Marxist-Leninists who see in the liberal-democratic framework the hidden hand of the bourgeoisie in dominating collective decision-making, it needs to be emphasized that Lewis stood unequivocally against any sort of domination. He saw in liberal democracy the best opportunity to make decision-makers accountable to the electorate for their actions. When he joined the Fabian Society, he enlisted in an organisation which sought to curb and reform liberal demo-

cracy simultaneously, he declared his sympathy for the poor and oppressed while espousing an incremental, reformist, parliamentary approach to political change. For this, Sir Arthur has not apologised. It is true that his Fabian Socialism was committed to reformed liberal democracy and a rejection of class warfare. A fierce advocate of minority and opposition rights, of the right to free speech, of religion, and of the other “bourgeoisie” rights, Sir Arthur has proudly sided with a long list of revolutionaries who believed in and dedicated their lives for the preservation of human liberty and human rights.

The pre-occupation which Sir Arthur showed for promoting social harmony in West Africa, and in Third World society in general, derived from his conviction that this was a necessary precondition for economic progress, and a *sine qua non* for economic development. More than one-half of his fullest statement on economic development¹⁹ is devoted to going behind what he called the proximate causes of economic growth, viz. the effort to economise, the increase of knowledge and its application, and increasing the amount of capital per head, to examine different attitudes, institutions and environments which promote or impede economic growth. Sir Arthur was more than an economic technocrat: he knew only too well that economic life is pursued in a total social context, embracing *inter alia* competition for power, and the urge to protect family, group, class or regional interest. Not until harmony and order had been brought into these spontaneous human struggles by genuine democratic practice was the stage set for sustained pursuit of economic affairs.

Sir Arthur’s innate humanity and his training in commerce and industrial economics naturally impelled him to focus on the eradication of poverty. St Lucia, Sir Arthur’s native home, was not blessed with an abundance of wealth, and inter-war Britain to which he went as a student was in the throes of depression. His writings on West Indian labour problems²⁰ and on economic planning,²¹ both issued under the auspices of the Fabian Society, indicate his willingness to place his natural and acquired skills in the service of resolving problems of poverty wherever they existed.

The major concern in Britain during the nineteen-thirties was how to get the economy out of depression. But this was not a uniquely British problem: the entire western industrial world was depressed and impacted negatively on the undeveloped world. In particular conditions in the Caribbean were appalling in the extreme and had resulted in widespread riots. Sir Arthur not only provided a scholarly documentation²² of the problems of the inter-war years but traced the breakdown of the system to faulty exchange rate and commercial policies. The importance of sound policy to economic behaviour and system performance could not be missed.

At a time when the emergent tool of economic planning was being joined to the thrust towards state ownership and economic direction, Sir Arthur would argue that, while planning was an important aid in improving resource allocation, market forces would be ignored at great peril. Sometime later he would write "In making a Plan, technique was subsidiary to policy."²³ Sir Arthur would take neither a narrow Caribbean nor Third World perspective, but a professionally informed world view of the condition of life in an interdependent world.

But dearest to his heart, and objectively perhaps the largest and most pressing economic problem of the post-war period, was the condition of material existence of the populations of the Third World. As it happens much of this world comprised European colonies or ex-colonies. British leadership was hard at work devising an appropriate policy towards these regions in the context of a very rapidly changing world. As Secretary to the Colonial Economic Advisory Committee, Sir Arthur was well placed to share in, if not influence, the shaping of these new directions. A reading of the many memoranda he wrote — on agriculture, land settlement, overseas investments, industrial development, profitability of Trinidad oil companies, etc. — would attest to his breadth of interest and depth of knowledge. Illustrative of this effort is Sir Arthur's critique of the Moyne Report and culmination of this debate in his proposal for industrial development in the Caribbean.²⁴

The Moyne Commission which investigated the industrial unrest which took place in the Caribbean between 1935 and 1938 found that economic distress lay at the root of much of what had occurred. It however rejected the proposals of the labour movement to socialise the means of production and establish people controlled secondary industry. Arguing on the basis of static comparative advantage and market centred liberalism, the Commission concluded that the comparative advantage of the Caribbean was in tropical agriculture and so the burden of its recommendations was to raise the long-run technical efficiency of agriculture and meet short-term social distress by land settlement and social welfare schemes.

Sir Arthur was not fundamentally at variance with the analysis made by the Moyne Commission. But he differed sharply on the proposed solution. After comparing revenue productivity per acre and man/land ratios in the Caribbean to that in England and elsewhere in the world, Sir Arthur concluded that Caribbean land was more productive in the production of staples than land in most other parts of the world.²⁵ Still, the wage of a Caribbean agricultural worker was less than one-third of that of his English counterpart because he had less land with which to work. The solution was obvious: the man/land ratio in the Caribbean had to be raised

if incomes were to rise. But for this to be done labour had to be shifted off the land to allow each worker more land with which to work. It is in this context and this context alone that industrialisation became imperative as a means of creating jobs off the land. Sir Arthur must be credited not only with anticipating the *theory of unequal exchange* but also with the absolute correctness of his conclusion that the only basis of higher incomes is enhanced factor productivity.

After exhaustive study of the international economy,²⁶ in particular focussing on the determinants of the distribution of the gains from trade between industrial and non-industrial countries, Sir Arthur could dismiss the call for a New International Economic Order as not well founded.²⁷ To him the factorial terms of trade determine the gains from trade and countries which have neglected to raise factor productivity by technological innovations are doomed to be at the losing end in international exchange. Said Sir Arthur

international trade became the engine of growth in the 19th century . . . but the engine of growth should be technological change, international trade serving as lubricating oil and not as fuel . . . trade cannot substitute for technological change, so those who depend on it as their major hope are doomed to frustration.²⁸

Sir Arthur argued that the industrialising countries of the nineteenth century threw out a challenge to the rest of the world to imitate them or to trade with them. Those countries which chose to imitate them reaped the benefits of higher incomes but those which chose to trade suffered the consequences of unequal exchange. This issue is still before us today. But it is the more general issue of raising factor productivity through technological innovation and economic reorganisation rather than industrialisation *per se*.

NOTES

- (1) See N. Girvan, "Sir Arthur Lewis: A Personal Appreciation", in *Sir Arthur Lewis: The Simplicity of Genius* (Barbados, 1989), pp. 19-26.
- (2) W. Arthur Lewis, *Politics in West Africa* (London: Allen and Unwin, 1965), p. 63.
- (3) See for a discussion, Ralph R. Premdas, "Towards a One-Party System of Government", *Australian Outlook*, Vol. 29, No. 2, 1975, pp. 1161-179.
- (4) Lewis, *op. cit.*, pp. 55-56.
- (5) *Ibid.*, p. 61.
- (6) *Ibid.*, p. 60.
- (7) *Ibid.*, p. 23.

- (8) *Ibid.*, p. 37.
- (9) *Ibid.*, p. 76.
- (10) *Ibid.*, p. 38.
- (11) See Avend Lijphart, *Democracy in Plural Societies* (New Haven: Yale University Press, 1977).
- (12) See J.S. Furnivall, *Colonial Policy and Practice* (Cambridge: Cambridge University Press, 1948), p. 230; M.G. Smith, "Institutional and Political conditions of Pluralism", in *Pluralism in Africa* edited by Leo Kuper and M.G. Smith (Berkeley, California: University of California Press, 1969), pp. 60-70.
- (13) Lewis, *op. cit.*, p. 66.
- (14) *Ibid.*
- (15) *Ibid.*, p. 67.
- (16) Lijphart, *op. cit.*, pp. 143-147.
- (17) Lewis, *op. cit.*, p. 68.
- (18) For a discussion of these issues, see Ralph R. Premdas, et al. *Secessionist Politics: A Comparative Perspective* (London: Frances Raihier, 1990).
- (19) See W. Arthur Lewis *The Theory of Economic Growth*, Allen & Unwin, 1955.
- (20) See Arthur Lewis *Labour in the West Indies*, Fabian Society, 1939.
- (21) See W. Arthur Lewis *Principles of Economic Planning*, 1948.
- (22) See W. Arthur Lewis *Economic Survey 1919-1939*.
- (23) See W. Arthur Lewis *Development Planning*, Allen & Unwin, 1966.
- (24) See W. Arthur Lewis, "The Industrialisation of the British West Indies", *Caribbean Economic Review*, Vol. II, No. 1.
- (25) *Op. cit.*, paragraphs 14-15.
- (26) See W. Arthur Lewis (ed.) *Tropical Development 1880-1913: Studies in Economic Progress*, Allen & Unwin, 1970 and *Growth and Fluctuations 1870-1913*, Allen & Unwin, 1978.
- (27) This is argued in W. Arthur Lewis *The Evolution of the International Economic Order*, Princeton 1977.
- (28) W. Arthur Lewis, "The Evolution of the International Economic Order", *Economic Impact*, No. 31, p. 43.

II

THE PERSISTENCE OF LEWIS' THEORY OF "UNLIMITED SUPPLIES OF LABOUR"

Stanley Lalta

INTRODUCTION

More than three decades have elapsed since Lewis' "Economic Development with Unlimited Supplies of Labour" first made its appearance (Lewis 27) and despite the existence of theories which both preceded and succeeded Lewis, there still rages debate and controversy over the ideas, postulates and relevance of his model. Detractors from developed and developing countries and from different ideological camps, have pointed to the poor record of the model's implementation in Latin America, the Caribbean, Africa and India while defenders have cited the remarkable performance of the East Asian countries as evidence of its efficacy. Lewis himself through subtle and empirical modifications (Lewis 28, 29, 30, 31) has kept the model alive and kicking thus ensuring it a prominent place in what is now the recognised field of Development Economics but which in the 1950s was still in its infancy.

This essay seeks to re-assess the substance and significance of the Lewis' model by focusing on

- (a) the basic assumptions, predictions and mechanics of the model (including its modifications),
- (b) its major weaknesses - intrinsic and empirical,
- (c) the strengths and influence of the model, and
- (d) the relevance of the model in illuminating aspects of the debate over Export Processing Zones (EPZs) in the Caribbean.

The final section provides an overall evaluation of the model in relation to the study and the practice of Development Economics.

A. Assumptions, Predictions and Mechanics

The model, eclectic and classical in approach, though lacking the econometric elegance of modern theories, is in the words of Bhagwati (3) "more in the nature of a grand design where relations are sketched with a broad brush

with a number of important ideas woven in at different places.” Based on his empirical observations of the nature and causes of the development process in Industrialised Countries – including the Soviet Union – and of underdevelopment in the emerging independent countries Lewis inferred that capital accumulation, if not the necessary and sufficient condition for development was at least the most strategic variable. In his words “the central problem in the theory of economic development is to understand the process by which a community which was previously saving and investing 4 or 5 percent of its National Income or less, converts itself into an economy where voluntary savings is running at about 12 to 15 percent of National Income or more. This is the central problem because the central fact of economic development is rapid capital accumulation” (Lewis 27). His model subsequently drew heavily on classical growth theories rather than the narrow Neo-Classical preoccupations with production and distribution relations at the margin or Keynesian economics which emphasized short run resuscitation measures for depressed mature economies.

The model (including later revisions) assumed the following:

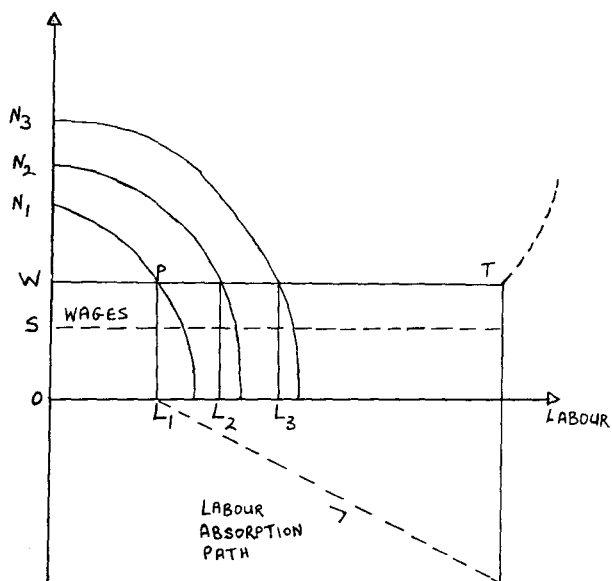
- (a) the existence of a dual economy – a modern, fast growing public or private capitalist sector “which uses reproducible capital and pays capitalists for the use thereof” and a relatively stagnant, low productivity traditional (subsistence) sector “which is not using reproducible capital”;
- (b) an infinitely elastic (unlimited) supply of labour which exists where “population is so large relative to capital and natural resources that there are large sectors of the economy where the marginal productivity of labour is negligible, zero or even negative.” This reservoir of labour comes from underemployed farm workers, self-employed, domestics, petty retailers, “whose numbers could be halved without reducing output”, housewives and their daughters and the increasing net population;
- (c) a constant wage in the modern sector determined by average earnings in the subsistence sector plus a margin (30-50%) to induce workers and to meet the higher costs of living and expectations in the largely urban modern sector;
- (d) income is distributed in favour of the capitalist class – the highest savers and investors – as compared to other classes whose savings are negligible or zero or is not available for profitable reinvestment;

- (e) the profit maximisation motive of the capitalist who is “more commercially minded, more conscious of efficiency, cost and profitability”;
- (f) skilled labour - a temporary quasi bottleneck - can be available with a short lag time for training;
- (g) technical progress and knowledge (innovations whether capital- or labour-saving) can be treated in the same way as growth of capital.

The above assumptions for Lewis' closed economy model have been spelt out in some detail because of the need for clarity, precision and comprehensiveness in the face of the tendency by critics to interpret or dismiss the model on the basis of one or two of its several assumptions.

The operations of the model are illustrated in the accompanying figure. OS represents the level of subsistence earnings; OW the real wage rate (showing a margin WS) in the capitalist sector, and WT the perfectly elastic labour supply curve. At a given amount of capital initially, the demand for labour is represented by the marginal productivity of labour schedule N_1 . For profit maximization, labour will be applied up to the point where the wage equals marginal product of labour : at this point L_1 units of labour are employed. Wages paid will be $OWPL_1$, and the surplus WPN_1 .

Figure 1



Reinvestment of the surplus increases the capital base and pushes the marginal productivity of labour schedule outwards to N_2 , then N_3 etc. thus employing more and more labour which is steadily withdrawn from the subsistence sector. As the capitalist sector expands and the wage price ratio remains constant, the share of the capitalist's profits (surplus) in the national income increases thus facilitating further savings, investment, capital accumulation and growth in the economy.

Barring any hitches i.e. cutting short of the process through increased wages or reduced investment, expansion takes place until the absorption of labour is complete (point T in the Figure) and the supply of labour becomes less than perfectly elastic. Beyond this point, wages rise, profits stabilise or fall with respect to National Income and growth slows. Neo-classical analysis must now be utilised to determine the relative earnings of the factors and the growth of the economy.

It should be noted that should the turning point i.e. the check on accumulation and profits due to rising wages, be reached before full absorption of labour, general stagnation and unemployment will result. This could arise because of

- (a) exogenous factors like wage pressures from labour unions or the State or "moralistic" notions of wages by the capitalists;
- (b) increasing labour productivity in the subsistence sector; and
- (c) a shift in terms of trade against the capitalist sector in its relations with the subsistence sector.

In his open economy model Lewis felt that capitalists could avoid decreasing profits after the turning point through the export of goods, export of capital to labour surplus countries and encouragement of immigration of workers from labour surplus countries.

B. Weaknesses – Intrinsic and Empirical

Despite its internal consistency, simplicity and general plausibility the model masks several weaknesses and a number of criticisms have been, and can be, levelled against it. For convenience, these are considered with respect to the intrinsic nature of the model i.e. its theoretical postulations and merits, and the empirical results i.e. experiences of countries which have implemented in whole or in part the policy implications of the model.

Intrinsic Issues

The Concept of Dualism Lewis' two-sector model is a gross over simplification of the situation in Developing Countries. Rather than the strictly demarcated compartments and characteristics of "traditional" and "modern"

sectors, there are other sectors which are quite significant e.g. the public, non-productive sector. In addition there are varying degrees of capital intensity and productivity between Lewis' two sectors. Bhardwaj (4,5) also referred to "important heterogeneities within each sector which affect capital accumulation". He pointed to "intricate factors" in agriculture (in India) where land ownership, the vulnerability of landless and small farmers and interlocking rural markets produce a "messy relation" and stated that "the simple dichotomy of the model does not embrace the complexity of production and exchange relations in Developing Countries". Lewis concedes on this point but remains adamant on his theoretical construct.

Unlimited Supply of Labour Some critics have interpreted this in a precise, technical manner to mean an infinitely elastic labour supply all of which can be bought at a certain price (wage) or none at all if the price deviates upwards. Harberger (16) has commented that

a careful scrutiny reveals that none of the ... causes (of unlimited labour) leads the supply of labour to disappear when demand is reduced. Each is a good reason why the secular upward trend in real wages has not been stronger but is not evidence of or a basis for infinite elasticity of supply of labour.

In this context, insisting on the supply of labour being unlimited is not necessary for the model. Lewis (29) accepts this stating that "we need not make a fetish of infinite elasticity; very large will do just as well."

Constant Wage Rate This is the critical assumption of the model but which is most difficult to accept or attain either in the subsistence or the modern sector. Nor could a constant wage be maintained (by state action or otherwise) for any appreciable time period as envisaged for the success of the Lewis predictions. For this to hold, as Bardhan (2) pointed out, one would require either full employment (which is not the starting condition of the model) or a feudal - client relationship as between lord and serf.

Disguised Unemployment and Zero or Negative Marginal Product of Labour This is a very elusive concept since the mere presence of "idle" labour does not automatically mean that $MPL = 0$. Even in the instance cited by Lewis of a more than adequate number of sellers in market stalls he has had to qualify his assumption by pointing to the marginal productivity of a man, not of man-hours spent, since the removal of some sellers would entail longer hours (and additional burdens) on those remaining. The point is that disguised unemployment is not essential to the model - it is only necessary for the supply of labour to exceed the demand for labour at the current wage.

All Output can be Sold For this to be possible, there must be increasing productivity and incomes in the subsistence sector or penetration of external markets. In the former case, Lewis saw that “if the capitalist sector trades with the peasant sector its continued expansion is menaced if the peasant sector were stagnant since this would move the terms of trade against the capitalist sector.” For the latter, the skills of the capitalist in opening new markets are critical and “if they are inefficient competitors in foreign trade, the terms of trade will turn against them; the expansion of the home industry has then to be slowed down to the rate at which the expansion of foreign trade is able to carry.” In each case effective demand is constrained, profits fall and expansion is curtailed. That supply will not create its own demand was the substance of Lewis’ attack on Say’s Law as he expounded his model: yet he upholds that Law for the success of his model.

Empirical Issues

Type of Modern Industrial Sector Established and Motivation of the Capitalist Class The attempt to replicate the West Europe type development through rapid accumulation in Developing Countries had completely different results. Import substituting industrialisation – based on generous state incentives such as duty-free imports, subsidies on foreign exchange and interest rates, protective tariffs, etc. – was the chief strategy used to develop the modern sector. The result was generally disastrous – high cost, capital intensive and inefficient industries employing far less labour than the model predicted became the norm by the late 1960s (Bhardwaj, 5; Kofi 23; Thomas 41; Meier 35; Amjad 1). Not only were labour absorption levels very low but the wage levels in the sector – buoyed up by trade union pressures, state wage policies and level of profits earned by these protected industries – were remarkably high. Lewis (30) admitted that “urban wages have been rising faster than we would have predicted; this, not the alleged failure to trickle down, is the real theoretical puzzle of the period”.

Another aspect of the sector’s underdevelopment related to the role and motivation of the capitalist class. Lewis’ optimistic assumptions of its beneficial role in reinvestment, expansion and sustained development were not met. Rather, as Leeson (26) commented “it is not a modern sector rising out of or alongside a primordial stagnant traditional sector leading to growth but a modern sector restricted to a warped, dependent, comprador relationship with metropolises and benefiting only a minority”. St Cyr (38), Thomas (41) and Girvan (13) have made similar observations about the modern sector in the Caribbean.

Rise of Urban Unemployed and Urban Informal Sector The transfer of labour to the urban/modern sector is a beneficial process according to the

model. This migration however has contributed to the ubiquitous phenomenon of urban overcrowding, polarisation between the traditional/rural sector and the urban/modern sector and severe open unemployment. Part of the answer to this lies in the rate at which the subsistence sector is releasing labour as against the absorptive capacity in the modern sector. Perhaps the major reason could be the failure to improve conditions in the subsistence sector (Bhardwaj 5; Godfrey 14). Meier has remarked that “as unemployment and underemployment have been transferred from the rural sector, the absorption of labour in the urban informal sector has become in many respects an extension of the traditional rural subsistence economy.” As such contrary to the model the opportunities for the continual expansion of demand for surplus labour have not materialised.

Scant Attention to Institutional Arrangements Of particular concern here is the failure of the model to take account of the role of the state. In fact by assuming minimal state involvement (even though the model fleetingly suggests that state capitalism as in the USSR, could become the modern sector) and a generally liberal, free enterprise approach, the model ignored the state as a competitor for labour and other resources, as a regulator of employment and wage policies and as key agent in the underdevelopment of the rural subsistence sector (Lipton 32). Similarly the model pays scant attention to influential forces such as Trade Unions, types of financial markets (Worrell 43), and the ownership and control of the modern sector’s activities (Girvan 13) – a shortcoming on which Demas (7) remarked that “in matters of political economy economic analysis is not enough”.

The above weaknesses and limitations of the model have cast serious doubts about its efficacy and realism. St. Cyr (39) in looking at the model concluded that “one has to be careful not to confuse the lessons of principle from the European Case with the lessons of specifics which that lesson holds for us ... it nevertheless would appear that he (Lewis) was misled by the specifics of the European experience and an unscientific application of the lesson from that special case to the Caribbean and other Third World countries”. This conclusion however is not generally acceptable and it is to the model’s appeal and applicability we turn to in the next Section.

C. Strengths and Influence

Perhaps the most fundamental observation which can be made about the model is its remarkable fluidity – it has features which make it general and specific, vague and particular, tight and flexible. As such its strength lies both in its clear, logical structure and its delineation of a range of basic macroeconomic variables by exploring the interaction of these variables both in a policy-neutral and policy-active manner. However it was not

intended to be universally or timelessly applicable without considering local circumstances nor was it intended to be a blueprint for every policy choice made by a country which sought to implement its main tenets. This is perhaps the major point which critics have missed and which have generally led to their arrows being either wide of the mark, concentrated on one or two areas only or aimed at targets not established by Lewis. In his words “the model is illuminating in some places at some times but not in other places at other times” (Lewis 31) and to ascribe to it features or coverage it did not entail is misrepresentational.

The model itself has shown sufficient resilience in being able to withstand both theoretical and empirical criticisms, (though not always in a fully convincing manner). For example, it has been able to make concessions on issues relating to the marginal productivity of labour in the subsistence sector, the infinitely elastic supply curve of labour and increasing earnings in the subsistence sector without fundamentally altering its efficacy. In addition, the rise of the NICs in East Asia using basically the key features of the model has served to dampen the denunciations of the doubters on the relevance and appropriateness of the model. It is useful to examine some aspects of each of these portrayals of resilience. The model’s divergence from established Neo-Classical and Keynesian thought has enabled it to offer a more perceptive understanding of the role of savings and investment – scarce entities – in transforming economies where labour is plentiful but generally of low productivity. In doing this Lewis touched upon the core of dualistic, non-antagonistic development and his analysis of the interactions between the two sectors provides a useful framework for understanding and planning the dynamics of each. Fei and Ranis (11) in a modified version of the model have asserted that “development requires that the centre of gravity must continuously shift towards industry through the continuous reallocation of labour from the agricultural to the industrial sector: the related criterion of success in the development effort is thus a rate of labour absorption sufficiently rapid to permit the economy to escape from the ever threatening Malthusian trap.” While for Lewis the engine of development could be any fast growing, modern, capitalist sector it is reasonably clear that his analysis contemplated the industrial sector performing this role. His model, as such, represented a major deviation from the “vicious circle of poverty” tenet and generated widespread optimism among Developing Countries faced with capital-scarce, labour abundant economies.

Another major area of importance lies in the model’s central theme of labour absorption. The wastage and social tensions evident in having large numbers of unemployed and underemployed able-bodied workers was

identified with clarity and foresight in the model. The objective of increasing the demand for labour, predicated on an expanding modern sector and fairly constant wage rates, provides a non-inflationary basis for treating chronic unemployment in Developing Countries. Whether this could be a smooth, painless process especially in respect of the massive influx of would-be workers to the urban industrial centres and the concomitant socio-economic problems which arise, was not dealt with in the model. Meier (35) offers the explanation that “fundamentally it can be submitted that the growing rate of open unemployment in the urban area has been due to a premature increase in the industrial wage level combined with a premature reduction in agricultural employment.” If this can be regarded as a proximate cause of the widespread phenomenon of urban unemployment, then this cannot be held against the model.

The development experiences of the East Asian super exporters – Hong Kong, Singapore, Taiwan and South Korea – have been cited as indicative of the practical applicability of the model. While clearly these are to be treated as special cases, they are not entirely unique. Except for the city-state status of Hong Kong and Singapore, which generally meant the absence of large rural sectors, all four countries exhibited the main features of underdevelopment at the time the model was development. (Tsiang, 40; Pang Eng Fong and Lim 36; Yun Wing Sing 44; Lee 25). With fairly constant wages, an enterprising capitalist class and high levels of savings and investment, these countries were able to advance rapidly through first import substitution and later export-led industrialisation thus achieving a level of development which in comparison has left several countries still at the starting blocks. Of course, several other factors accounted for this rise (such as strong interventionist governments, careful choice of industries, foreign assistance, etc.). But as Worrell (43) pointed out “no other theoretical framework offers a better explanation of the transformation of several South-East Asian economies from labour surplus twenty-five years ago to labour scarce ones now.” Whether their success, using their abundant labour as a major asset, could be replicated elsewhere is debatable but it is evidence that the Lewis’ model is neither altogether dead nor moribund.

Perhaps the most significant aspect of the model lies in the range of issues it has raised which have anticipated and inspired literature on both general development and specific microeconomic issues. Bhagwati (3) has identified four main areas which have engaged (and are engaging) the attention of theorists and policy-makers:

- (a) his focus on the institutional features of the traditional sector – this has been the subject of research on average pricing on

family farms, of agricultural prices (inputs and outputs) and on the terms of trade with the capitalist sector;

- (b) his noting that removal of surplus labour from farms would cause remaining farmers to work harder, perhaps capitalise their operations, develop appropriate technology and capital intensity for the agricultural (peasant) sector, and the backward sloping labour supply curve (choice between leisure and income) are spin-offs from Lewis' observation;
- (c) his dualistic model has led to static and dynamic analyses of the implications for optimal policy intervention such as protection for manufactured goods;
- (d) his open economy model and analysis of the terms of trade for goods produced in tropical and temperate areas have influenced the trade and other discussions between the Developed and Developing Countries though it has been suggested that the model has not been as helpful as anticipated. (St Cyr, 38)

To these can be added the influence on further development of the labour surplus and dual economy models by Fei and Ranis (11) and Jorgensen (20); the analyses of economic growth using the dualistic model by writers such as Kindleberger (22) and in the Caribbean the debate over the role of Export Processing Zones (EPZ's) as a means to achieve employment, foreign exchange and growth objectives.

D. The Model and the Case of EPZ's in the Caribbean

EPZ's and subcontracting '807' operations (for convenience treated as similar operations) have made a dramatic entry into the economic life of the Caribbean in the 1980's evoking a bitter controversy between supporters who see EPZ's as "spearheads of industrialisation" and detractors who see them as "sweatshops in the sun". The genuine success of such operations in job creation and exports in several Developing Countries (Kreye 24, Hein 17, Door 8) and in the Caribbean, mainly Jamaica and Barbados (Long 33; Kingston Free Zone Company Ltd. 21; Watson 42; Jamaica National Export Corporation 19) are counterbalanced by more sceptical views as to their vulnerability, exploitative conditions and foreign control (Thomas 41; Long 34). Without seeking to enter this debate, it would be useful, to explore and illuminate some aspects of these operations through an examination of the Lewis model.

There are four main observations which can be made:

- (a) EPZ's can be understood in terms of the model's "modern" sector - fast growing, absorbing labour from the large reservoir

of underemployed and unemployed persons (in the case of the Caribbean so far, mainly young, unskilled females), with productivity level higher than in the “subsistence” sector and using techniques of production which are labour intensive thus maximising the use of the abundant resource, labour.

- (b) There exists a large unemployed labour force which increases as more and more persons either enter the job market for the first time (population growth effects) or are drawn from other sectors or in several cases are thrown on the job market as a result of retrenchment in other sectors.
- (c) Wage levels generally reflect the existing labour market conditions i.e. a minimum ‘subsistence’ wage plus a margin which in the case of EPZ’s is mainly the result of overtime work, or higher individual productivity (where the piece rate or fixed salary and piece rate methods are in place). In addition, income is distributed in favour of the capitalist class and Trade Unions are constrained (by legislation or otherwise) in their activities especially in respect of wage increases.
- (d) All output can be sold - in the case of EPZ’s, the export market absorbs all the goods produced either as a result of previously contracted arrangements or on the basis of the competitiveness of production.

From the above one can infer that EPZ’s encapsulate the main propositions and policy requirements of the Lewis model. In this respect, *cet. par.*, one should expect that the dynamics of the model will become manifest through the activities of EPZs i.e. capital accumulation, employment, growth and development. Logically, there is no reason why such a scenario cannot be played out and yield the kind of results which Caribbean Countries have sought since the 1950s when the Lewis model was adopted. However, two critical factors militate against such optimism and require ongoing attention:

- (i) the motivation and behavioural patterns of the capitalists. The model assumes that the capitalist class seeks to maximise profit, is the highest saver and investor in the country, and will continue to employ labour as long as its marginal productivity is at or above wage levels. Because of the nature of the EPZ activities, a large percentage of the capitalist class is not indigenous and so a large percentage of the profits is not reinvested but repatriated abroad. (This is one of the main incentives offered by the state to EPZ Companies). This constitutes a major constraint for the

model's success and by implication the sustainability of the growth dynamic. In addition, the EPZ operators are primarily motivated by profits and market control and are sensitive to changes in the wage-profit ratio or in market conditions. Either of these can result in the slowdown or rollback of employment levels or as has been the case sometimes, in simply closure and establishment of operations in new localities.

- (ii) the demand (market) for the output. There are two aspects to this. Firstly, the type of industries in the EPZs - garments, leather goods, electronics and data processing, toys, food processing - are mainly assembly operations requiring minimal skills, minimal local inputs and low costs. International markets are very competitive not only from other Developing Countries but also from Developed Countries. Technological advances, especially in microelectronics and robotics, pose a major threat to the cost advantage i.e. based on cheap labour in Developing Countries and 'factor reversal' with production shifting to technologically superior countries makes present EPZ activities very vulnerable. Secondly, and especially in respect of garments, a large percentage of the market is covered by quota negotiations i.e. the US market through the Multi-Fibre Agreement. While Caribbean Countries are currently beneficiaries of this quota allocation, there is no indication that they will continue to benefit or that such benefit will remain at present levels or increase.

As with previous attempts at industrialisation and the development of a "modern" sector, EPZs do not and cannot automatically exhibit the growth dynamic as envisaged in the model. However they do offer much scope for doing so (as the experiences of countries like Mauritius, South Korea, Taiwan and Hong Kong indicate). This could be enhanced by positive action to deepen and widen the range of activities undertaken in EPZs. There is no reason why EPZs cannot be expanded to include several other export activities using more local inputs. The case of the resource based industries producing primarily for export in Trinidad and Tobago comes readily to mind. EPZs are simply physical entities with administrative arrangements and incentives where export activities are undertaken and need not be confined in form and scope to assembly-type operations or dominated by foreign investors. If export-led growth is to become the primary strategy for transformation in the Region, then EPZs can be appropriate and efficient tools in developing this "second wave of industrialisation". Then, as before the Lewis' model could provide the logical basis for planning, action and evaluation.

E. Evaluation of the Model

Having weighed the Lewis model in the balance, examined its tenets, its predictive and explanatory power over time and in various places, what emerges is that it is a general equilibrium model though not in a strictly deterministic sense. Lack of definitional rigour and circumstantial weaknesses have tempered but not impaired the model's validity. Gersovitz (12) sees this "as part of the strength of Lewis' formulation ... its continuous calling forth of additional efforts to refine the detailed workings of each piece and then investigate the empirical and operational behaviour as a whole". As such he sees the model "as the all important scalpel with which to initiate the general inquiry into a vital tissue even if the specific instrument has been substantially modified over time". This view is endorsed by Leeson (26) who commented that "we can regard it as a useful framework within which to discuss reality, not taking the homogeneity of its sectors literally but looking behind this to the internal structure of each designating new sectors where significant relationships are thereby revealed".

On the other hand, St Cyr (38) was more forthright stating that "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". At a more practical level he observed that "its continued application derives as well from the continuation in power of elites weaned in the post colonial era on the radical ... prescriptions of the model...".

There is no doubt that some critical issues have been left unresolved in the model. For example, after the turning point has been reached in the closed model and foreign trade curtailed because of uncompetitiveness, how does the economy grow and what are its features in the new stage? Lewis simply left this to Neo-Classical analysis and policies. Also, assuming that earnings in the subsistence sector increase at a rapid rate, wouldn't this in addition to threatening the surplus profits of the capitalist (through raising the real wage) not also provide an increasingly larger market for the products of the capitalist sector? In this context can one justifiably tax the peasant sector still further to finance the modern sector? And can lower food or other prices to cater for the interests of the capitalist class (in keeping wages low) really provide any incentive for increasing production in the subsistence sector? In addition, if the state is to divert resources towards development of the modern sector, where will the additional resources come from to run its own operations and to improve conditions in the subsistence sectors?

Doubts have also been expressed over the model's explanation of the transfer of labour to the modern sector in the face of high urban unemployment and to what Meier (35) calls the "emergence of double dualism". Lewis himself has admitted to certain judgemental errors made in 1954 with respect to the underestimation of the likely growth of population. More seriously were errors which were more of a sociological and political nature. According to Lewis (31) "when one lists the factors that cause countries to be at the bottom of the growth list, political instability is prominent; countries grow fastest whose citizens think it is safe to save and invest at home. We underestimated this factor in the 1950s ... We also overestimated the likely efficiency of new governments and their commitment to improving the conditions of the poor (which varies widely)".

In more economic terms, perhaps the most limiting factor on the model's application is the behaviour of wage rates. With the relaxation of the "unlimited supplies" assumption, the wage rate becomes the critical variable in the model and Lewis (30) lamented "the speed with which real wages have risen in some labour rich developing societies in defiance not only of the model but also of previous historical experiences". He sought explanations for this behaviour in the segmented labour markets, which produce non-competing groups of workers and in the power of Trade Unions. Demas (7) identified the causes as due "partly by ... attempts of Governments to counteract the brain drain, partly by Trade Union action and partly by the fact that the supply price of labour is set with reference to the highest paying activities in the country many of them foreign owned". Lewis' justified concern over the wage rate (and its implications for profitability, efficiency and accumulation) is a major theme also in his proposals for export-led growth in the Caribbean (Demas 7; Farrell 10) and of course is a critical factor in the operations of EPZs.

While the emergence of the Asian NICs has been widely cited as vindicating the Lewis' model, (see Section C) some have sought for alternative explanations, some have dismissed it as 'shallow', and others have questioned the transferability and replication of their success. There are three aspects of this which are related to the model:

- (a) Among the alternative explanations, the existence of strong governments has been identified as the determinant factor. Henry (18) asserts that "one important feature that characterises these countries is the developmentalist and interventionist orientation of the state which displays a constant effort at creating comparative advantage in what are deemed to be strategic industries and sectors". This view is also supported by Lee (25). The model itself does not define a specific role for the state and except for

hinting that the state could also become the capitalist class, is noticeably silent on it. Lewis however – as cited above – would have welcomed such direction for the successful implementation of the model. In comparison, Caribbean Governments have been generally weaker in such foresight and purposeful action and as Farrell (10) noted “the failure of Caribbean governments to control wage rates in accordance with his wage policy suggestion was a clear indication that they were not interested in export promotion where costs are critical but in import substitution where costs are much less important once protection is sufficiently great.”

- (b) Cline (6) generally summarises the views of those who question the general application of the NICs success citing their peculiar socio-political features, the fallacy of composition in exports and the inevitability of protectionism if too many states get on board (the so-called ‘elevator’ theory). Ranis (37) has countered these assertions pointing to the variability of protectionism among countries and products and the different starting products and product groups of Developing Countries (the so-called ‘turnpike’ theory). Two critical factors are thrown up in this debate – the choice of products and the penetration of markets. Farrell (9), St Cyr (39) and Henry (18) have attempted to identify the types of products which could be developed in the Region. Gonzales (15) has focused on the problems of market penetration pointing out that “the conventional approach to the study of market access with its emphasis on price control, quality and product development needs to be seriously supplemented by a focus on the non-price aspects of market penetration with greater attention being placed on negotiations, political decision making, transnational relations and the influence of States.” These are issues which directly affect the model’s success but which are absent from it. It may be that EPZs provide an appropriate basis for treating with the above concerns. In any case the model will need substantial expansion of its conceptual and prescriptive base to take these concerns into account.
- (c) The scarcity of capital in Developing Countries is treated as the over-riding constraint to their development and in this context the model suggests foreign investment as a useful strategy. This has invoked the harshest criticism, in the Caribbean and in most other Developing Countries. Farrell (10) summed up this view

by stating 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 if not dangerous.” Once more, it appears that this trend will be repeated in the EPZs. It appears however that the central issue over foreign investment is not its volume (which should be related to capital shortage locally) but its strategic concentration. The NICs have managed, both to exert greater direction over the sectors needing and using foreign investment and in being able to take advantage of the technologies of the foreign firms for their own human and capital development. As Henry (18) remarked “while foreign investment might have been encouraged by the low wage regime and as it were rode the backs of cheap labour, these countries managed to slip a leg over the backs of the transnational corporations to earn a ride into the world of high technology.’”

What this discussion of the implications of the NIC’s success reveals is the need for serious and on-going consideration of the non-economic factors in development and their ability to facilitate or frustrate the workings of the model. Lewis has identified some of these in his several modifications of the model. However the model remains weak in several conceptual and empirical areas. In a sense however this is unavoidable since it would be unfair to expect it to embrace all aspects of development over a period spanning more than three decades. Despite these limitations however, its theoretical basis remains intact and together with its policy implications provide a more than useful framework to probe and plan the process of development through its critical insights into several key economic and non-economic relationships.

When viewed against the explanations and predictions of many of the development theories which have been proffered over the years – “lump sum investment” (Kindleberger); “innovations” (Schumpeter); “big-push” (Rosenstein-Rodan); “unbalanced growth” (Hirschman); “stages of growth” (Rostow); “delinking with Industrialised Countries” (Dependency School); “Centralised planning” (Soviet model) – Lewis’ model in its entirety stands out as a prodigious achievement. In fact it has been and remains fairly impossible to write about Third World development without referring to Lewis’ model and what it has done to inspire comment and policy action. Bhagwati (3) sums up the model’s influence by stating that “the theory of development would have been poorer if Lewis had not written it ... and what more could one say in favour of it?” One may agree or disagree with the model but cannot ignore it.

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III

EXPORT-LED DEVELOPMENT AND THE LEWIS MODEL IN HAITI

Alex Dupuy

W. Arthur Lewis has been credited with proposing the development strategy of “industrialization by invitation” for the Caribbean region. In this strategy, foreign capital would be encouraged to invest in manufacturing production for export rather than in agricultural production. The justification to assign the task of developing manufacturing industries to foreign capitalists was that in contrast to the regional bourgeoisies, the foreign capitalists possessed the capital and access to already existing markets. At the same time that the creation of these manufacturing industries would generate employment for the growing labour force of the region, the abundance of cheap labour would provide the foreign capitalists with the prospects of low costs of production and high profits (see Mandle 1982, 54–56).

The strategy of “industrialization by invitation” became adopted officially in the Caribbean region during the 1950s. Respective governments in the region established industrial development corporations and attracted foreign investors by offering them tax and fiscal incentives. The failure of this strategy to generate self-sustained or integrated industrialization in the Caribbean, however, has been interpreted as a failure of the Lewis model itself (Mandle 1982, 56; Thomas 1988, 75–80).¹

Contrary to the above perspectives, I argue that, considered more fully, Lewis’ model can account for the failure of integrated industrialization in the Caribbean. I will begin by summarizing Lewis’ argument and then apply it to analyze the case of Haiti under the Duvalier regime. In applying Lewis’ model, however, I will emphasize a class exploitation perspective not fully articulated in Lewis’ model, though it is implicit in it.

The Lewis Model

Essentially, Lewis argues that in underdeveloped economies with abundant supplies of labour, the accumulation of capital can occur because labour is available at subsistence wages. Assuming a two sector economy, one a

modern or capitalist, the other a subsistence or traditional sector, new industries can be created or existing industries expanded as long as the supply of labour from the subsistence sector continues to exceed the demand in the capitalist sector. The industrialization process will occur, however, only if capital is productively invested. For this to happen, profits need to be transferred from the unproductive to the productive classes, which, in Lewis' view, are the industrial capitalists rather than merchants or landlords. Whereas the former will use its savings to expand or create new industries, the latter will seek to maintain the existing economic structures because of the rents they can extract from them without further investments. It should be noted in passing here that in this respect Lewis' view is similar to Marx's on the role of the industrial capitalist in promoting capitalist development in contrast to the conservative role played by merchant capital.²

For Lewis, it is not enough that a capitalist sector be created to unleash the industrialization process. Initially the existence of a subsistence sector with an over supply of labour makes labour available to the capitalist sector at low wages. But the industrialisation process will eventually stagnate unless the subsistence agricultural sector is also transformed. This will happen because unless the capitalist sector expands with a simultaneous improvement in the productivity of the agricultural sector, the price of food will rise in response to the increasing demand and in relation to the price of commodities in the capitalist sector and hence drain profits from that sector. Thus, to prevent this from happening, agriculture must also be developed alongside industry by introducing better technology and more efficient methods of production (see Lewis 1983a, 345-347).

Moreover, although Lewis was primarily concerned with the development of capitalism in the underdeveloped countries, he makes it clear that industrialization need not occur only with a private bourgeoisie acting as the entrepreneurial class. The state can also serve as a substitute for the private capitalist class to generate economic growth on the basis of nationalized or public sector industries (Lewis 1983a, 331-332).

The key point for Lewis, then, is that a home market that integrates industrial and agricultural production must be created so that development in one sector does not occur at the expense of or independently of the other. Moreover, for Lewis, the transformation of agriculture does not consist only of creating capital intensive enclaves in the subsistence sector, such as the production of a few agricultural crops for export. In so far as the subsistence sector as a whole remains backward, the increasing efficiency of the export sector and the low price of its products will only benefit the foreign consumer. The same analogy, therefore, could be applied to the creation of

export manufacturing enclaves in the underdeveloped economies. Insofar as capital is invested in these sectors without a corresponding backward and forward integration of the other sectors of the local economy, the low price of these export manufactured products will benefit primarily the foreign consumers or industries that use these products as inputs (Lewis 1983a, 363).

The relationship between the enclave sector and the traditional sector needs to be further explained to understand Lewis' argument better. An enclave may have positive or negative effects on the traditional sector, and hence on economic development. On the one hand, the enclave may buy goods and services from the traditional sector. The enclave may provide employment for the people in the traditional sector who may be attracted by the better employment opportunities and higher wages in the enclave sector. The people who left the traditional sector to work in the enclave still retain ties with the traditional sector and send remittances to their relatives in that sector, thereby increasing their income. Because of the higher productivity of the enclave sector, it may sell goods and services to the traditional sector cheaper than other sectors. The infrastructure established for the enclave sector, such as railways, ports, electricity, roads, water supplies, and hospitals, also benefit the population in the traditional sector. And the taxes derived from the enclave sector may be used to provide services, such as schools, public health, agricultural extension, etc. for those in the traditional sector. In short, the enclave sector may serve as a modernizing force for the traditional sector.

On the other hand, the enclave sector may block the transformation of the traditional sector, and hence the economy's development. An enclave sector may be dependent on the importation of food, raw materials, intermediate products, and technology for its operation. If the traditional sectors could supply the enclave sector with all its needs, then the enclave sector would have a multiplier effect on the traditional sectors and contribute to the growth of the entire economy. But if the traditional sector cannot supply the enclave with its import needs, neither the enclave nor the traditional sectors would expand (Lewis 1983c, 443-444).

In cases where the traditional sectors fail to respond to the opportunities offered by the enclave sector, this may widen the gap of development and exacerbate social and economic inequalities. The enclave sector may be used as a mechanism to force people off their lands and force them to work for wages. The goods produced in the enclave sector may compete with those of the traditional sector and destroy traditional industries. The enclave may exacerbate regional polarization by concentrating resources and capital in the enclave at the expense of the traditional sectors. Lastly, as enclave

sectors tend to be associated with increases in health and sanitation services that penetrate the traditional sectors, death rates tend to fall. The resulting increase in population tends to reduce per capita incomes and hence the impoverishment of the traditional areas (Lewis 1983c, 444-446).

For Lewis, therefore, an enclave sector may contribute to the development or the underdevelopment of an economy. Whether it does the one or the other depends on the nature of the enclave, the overall structure of the economy, the pattern of property and income distribution, the type and degree of dependence on foreign resources, and the nature of the government of the country where the enclave is established and the policies it adopts (Lewis 1983c, 446-447).

In short, then, I argue that it is a misreading of Lewis to say that he believed that facilitating foreign investments in export manufacturing industries would be sufficient to generate self-sustained industrialization in the Caribbean or elsewhere in the Third World. Without the simultaneous integration of the export enclave with the rest of the local economy, a domestic market for locally produced goods would not be created, and hence the regional economies would remain underdeveloped and dependent. Moreover, unlike the modernization theorists, it is clear that Lewis is not using the concepts of modern and traditional, or of capitalist and non-capitalist sectors, to suggest that the two are unrelated, and that the presence of the modern capitalist sector (the enclave) would inevitably lead to the progressive transformation of the traditional or non-capitalist sectors.

On the contrary, Lewis' model is quite open-ended. It forces us to focus on the specific conditions found in specific underdeveloped economies and the patterns of their interaction with the more developed economies. This said, it should be pointed out that the concept of a modern capitalist enclave and of a traditional non-capitalist sector posited by Lewis does not apply to the Caribbean region. Since the late sixteenth and early seventeenth centuries, the Caribbean has been incorporated as a peripheral area within the expanding capitalist world economy. Whether as indentured servants, as slaves, as landed or landless peasants, or as wage-labourers on the plantations, the immediate producers in the agricultural sectors of the Caribbean economies have always produced commodities for the local and the world markets. And they have always consumed goods produced elsewhere and imported into the Caribbean.

Thus, the commodities produced in the Caribbean and those they consume have always been integral to the global process of capital accumulation. In this sense, then, it is difficult to conceive of those sectors of the Caribbean economies as traditional or non-capitalist, even if the relations of production in them have not always been the wage-labour relations typical

of the capitalist mode of production in the more developed economies. It is precisely because of their underdeveloped characteristics and the forms of exploitation to which they are subjected that the Caribbean economies have not been able to completely transform these seemingly non-capitalist relations into more fully wage-labour relations.

Similarly, Lewis' concept of the enclave sector needs to be modified. Rather than viewing the enclave as the modern capitalist sector and the subsistence or non-wage-labour sector as traditional, the enclave sector may be more accurately perceived as that sector of the economy controlled by foreign capital with generally little integration with the other sectors of the local economy. This is the case whether or not these enclaves are characterized by wage-labour relations. As Cardoso and Faletto point out, enclave-type economies generate limited possibilities for integrated development because the domestic bourgeoisie is unable to compete with foreign capital in those sectors that require technology or marketing systems, or where the goods produced for the world market have marginal output. Under such conditions, the local bourgeoisie becomes subordinated to foreign capital which assumes control over the dynamic sector(s) of the national economy (Cardoso and Faletto 1979, 69-70).

Thus modified, I believe that Lewis' argument may be made more relevant to Caribbean realities. Yet another merit of Lewis' argument is that it does not posit a necessary outcome to capitalism. Lewis, along with the classical economic theorists (Smith, Ricardo, and Marx), attributes certain developmental tendencies to capitalism. But whether or not these tendencies manifest themselves depend on the specific conditions of existence of capitalism in each country. Thus, Lewis avoids the essentialist pitfalls of some of the radical dependency theorists who argued that capitalism necessitates the uneven development of countries into core and peripheral areas, and that the underdevelopment of the periphery is an inevitable result of its subordination to and exploitation by the core.

In many respects Lewis' argument anticipates the recent trends in the sociology of development. The proponents of what are referred to as the "postdependency", "postimperialism" or the "New Political Economy" perspectives reject the dependency argument for its reductionism and its failure to allow for the possibility of self-generating capitalist development in the Third World. Like Lewis, the new perspectives propose a more open-ended approach to development, and many among them are even reassessing the possible contribution of modernization theory to these new approaches.³

The Lewis Model and Haiti

As with Lewis and the “postdependency” theorists, I argue that there can be no universal process or pattern of capitalist development. Whether capitalism generates development here or underdevelopment there depends on the specific historical conditions and the forms in which the process unfolds itself in given regions or societies. These historical conditions and forms of development are determined by the nature and effects of the relations and conflicts among determinate social classes and social groups within specific societies. Moreover, since nation states exist within a larger capitalist world economy, one must take into account the nature and effects of the relations among classes at the international and national levels. As I will show, the class relational approach I am proposing is compatible with Lewis’ structuralist perspective and strengthens rather than weakens it.

When Jean-Claude Duvalier succeeded his father to the presidency of Haiti in 1971, a new alliance had been formed among the Duvalier regime, the traditional bourgeoisie, and foreign capital. It was Jean-Claude Duvalier’s objective to implement the “economic phase” of the “Duvalierist Revolution” (*Nouvelle Optique* 1972, 1). In this triple alliance, the Duvalier regime was to act as the mediator between foreign capital and the Haitian bourgeoisie to promote the country’s economic development.

With the endorsement of the United States, new development assistance started to flow into Haiti. In addition to the United States which remained the largest aid donor, France, Belgium, Canada, and many international, governmental, and private aid agencies also renewed their aid to the Duvalier regime. During the 1970s, total foreign aid was \$384 million. From 1972 to 1981, total development aid increased to \$540 million, and from 1981 to 1985 it was \$657 million (DeWind and Kinley 1986, 30, 55-56; Walker 1984, 206-208; Pierre-Charles 1973, 172-173; *The World Bank* 1987, 244).

The partners in the triple alliance aimed to integrate the Haitian economy with those of the advanced countries in general and that of the United States in particular. Haiti does not possess the mineral or other raw materials that are of strategic importance to the advanced capitalist economies and that could have attracted massive capital investments to exploit those resources. Consequently, the Haitian state and bourgeoisie were in a relatively weak bargaining position vis-a-vis foreign capital. Thus, they had to attract foreign investments by offering other advantages, such as tax and tariff exemptions and a docile and cheap labour force.

It was to that end that the World Bank and the International Monetary Fund (IMF) were allowed to be involved in designing and implementing

Haiti's development strategy. That strategy called for the shifting of investments from the public to the private sector to promote agricultural and manufacturing production for export. Experts from the United States Agency for International Development (AID) proposed diverting 30 per cent of agricultural lands to produce export crops, with full knowledge that such a policy would expropriate and impoverish small farmers. That strategy failed to materialize, largely because of the system of land holdings among small peasants, the relatively small size of their holdings and their incompatibility with capital-intensive technology (DeWind and Kinley 1986, 48, 60-70; Hooper 1987, 33).

If the strategy to reintroduce large-scale plantation production for export failed, that of establishing manufacturing assembly industries succeeded. As I will show, however, even though the assembly industry became the most dynamic sector of the Haitian economy, it did not promote integrated industrialization but rather reinforced Haiti's underdevelopment. In 1970, the assembly industry represented 6.5 per cent of total Haitian exports. By 1977, it accounted for 15.2 per cent, and by the end of the decade it represented about 25 per cent of total exports. By contrast, bauxite represented on average 12.5 percent of total exports during the 1970s, and coffee exports remained in the lead, accounting for more than one-third of the total (in 1983) (Barros 1984, 1:69-71; Prince 1985, 45; Grunwald, Delatour, and Voltaire 1984, 243; Pean 1985, 30-31).

The assembly industry produced electronic and electric products, textiles and garments, and sporting goods, principally baseballs. For the most part, the industry imported its raw materials and its technology. It used minimal inputs from Haitian agriculture or industry, such as leather goods, wood products, and fiber. Haitian labour and capital were the greatest contributions to the assembly industry.

The relationship between foreign capital and Haitian capital in the assembly industry was unequal, however. Usually, a Haitian investor entered into a contract with a US principal to produce a specific type and quantity of a product for the US market. The foreign contractor supplied the technology, the raw materials, and set the standards of production and the price for the products. The Haitian investor supplied the capital, the buildings, hired the workforce, paid the operating costs, and supervised the production process. Thus, though the Haitian investor assumed most of the costs and the risks, he had no control over what was produced, the volume of production, or the price of the goods produced. He, therefore, remained a subordinate partner to foreign capital (DeWind and Kinley 1986, 159; Grunwald, Delatour, and Voltaire 1984, 234, 244).

United States investors also established their own plants in Haiti without entering into a joint venture with a Haitian sub-contractor. This happened in those sectors where the demand for the products was stable in the US market. Thus in 1972, Haitian investors owned 71 per cent of all the manufacturing industries, and by 1981 their share of ownership had declined to 52 per cent. In addition to being displaced by foreigners, Haitian investors were relegated to producing those goods with the most uncertain market to the US (DeWind and Kinley 1986, 159-160).

To attract the manufacturing assembly industries to Haiti, the Duvalier government offered many tax and tariff exemptions, and an abundant supply of cheap labour. During the first five years, the assembly industries paid no capital gains taxes, and paid a graduated tax over the next ten years. The industries also paid no duty on raw materials, equipment, or the technology imported for their operation, and there were no restrictions on the repatriation of profits. It was in the United States that the industries paid taxes on the manufacturer-declared value added to the goods produced in Haiti. It is estimated that about 40 per cent of the profits earned in Haiti remained unreported (DeWind and Kinley 1986, 174-175, 182-183).

The main factor attracting the manufacturing industries in Haiti was the abundance of a low wage labour force whose productivity was comparable to that of the US labour force in the same line of goods. Haitian wages are the lowest in the Caribbean, and low enough in comparison to US wages to compensate for transportation costs to the US and the value-added taxes paid to the US government. Moreover, the wage levels could not be allowed to rise beyond a certain minimum to prevent a shift to more capital intensive production, and, more importantly, to prevent upsetting the "bureaucratic and political risks in Haiti which [were] perceived as formidable" (Grunwald, Delatour, and Voltaire 1984, 237-238). The suppression of labour and its demands for better wages and working conditions, therefore, is a *sine qua non* of the continued presence of the assembly industries in Haiti.

Despite their impressive growth during the 1970s, the assembly industries did not solve the unemployment problem in Haiti. From 1972 to 1976, the assembly industry grew by 56.2 per cent, but fell to 18.7 per cent between 1976 and 1978 and to 2.4 per cent between 1980 and 1984. This dramatic decline in the rate of expansion of the assembly industry in Haiti was caused by the constraints imposed on Haiti by the U.S. market. At the same time, the population of the capital city of Port-au-Prince where all the assembly industries were located continued to grow by 35,000 people per year, and 38 per cent of its active population remained unemployed, and 52 per cent were underemployed. Yet, the entire industrial sector of Port-au-

Prince employed only 8 per cent of the active population, 80 per cent of whom worked in the assembly industries (DeWind and Kinley 1986, 151, 162; The World Bank 1987, 264; Grunwald, Delatour, and Voltaire 1984, 243).

In addition to not solving the unemployment problem, the assembly industry contributed little to the creation of integrated sectors of production linked to it. The assembly industry used very little inputs from the agricultural or industrial sectors of the Haitian economy. Similarly, the goods produced by that industry, such as computer harnesses, integrated circuits, baseballs, wigs, garments, and stuff toys, did not serve as inputs to Haitian industries and were not sold on the Haitian market. Thus, as the World Bank, a strong advocate for the establishment of these industries in Haiti concluded, "The assembly industry is largely outside the Haitian economy; it provides employment but purchases few Haitian inputs and makes almost no fiscal contribution" (cited in DeWind and Kinley 1987, 200).

The assembly industry, in short, did not create the conditions for the emergence of self-sustained industrialization in Haiti by giving rise to a manufacturing bourgeoisie and a home market for the expanded accumulation of capital. The manufacturing assembly industry served merely as an enclave of the U.S. economy in Haiti, and the limits of the U.S. market for the goods produced in the assembly industry and the share of production assigned to Haiti also set limits on the expansion of that industry. For both reasons, therefore, the manufacturing assembly industry in Haiti did not serve as a catalyst for the industrialization of Haiti. For the most part, the profits generated from the assembly industry were reinvested abroad and not to expand existing production or create new industries in Haiti. It is estimated that 85 cents out of every dollar of profit earned in Haiti left the country and that on average \$50 million a year was transferred to the United States between 1977 and 1984 (DeWind and Kinley 1986, 179). As already pointed out, this is one of the possible outcomes suggested by the Lewis model of the establishment of enclaves in the underdeveloped countries that remained tied to external markets and imported their inputs from them rather than from the agricultural, artisanal, or industrial sectors of the host economy.

The embryonic Haitian industrial bourgeoisie tried to take advantage of renewed foreign investments to expand its industrial base. Several hundred micro industries were created during the 1970s and early 1980s, but these efforts did not unleash a veritable process of industrialization. The poverty of the majority of Haitians, the limits of the national market, the absence of infrastructures and support services, the lack of government subsidies to and protection of domestic industries, the poor quality of local

products, and the dearth of skilled and educated cadres all combined to block the industrialization process. Consequently, the Haitian industrial bourgeoisie remained relatively weak, and its industries could not replace the assembly manufacturing enclave as the driving force of the economy.

In terms of the Lewis model, however, two key factors may be identified as the root cause of the other factors mentioned above. They were the nature of the Duvalier regime and its relationship to the private sector bourgeoisie on the one hand, and the backwardness of Haitian agriculture and the social relations that characterized it on the other hand. As with its predecessors, the Duvalier regime was a prebendary government that preyed on all segments of the population. The regime directly intervened in the economy and had at its disposal several mechanisms of wealth appropriation.

On the one hand, the regime extended the monopoly of state enterprises that controlled the sale of items of basic necessity and created new ones that competed with private sector enterprises. For example, the Regie du Tabac monopolized the manufacture and sale of tobacco products, and controlled the taxes on such products as milk, herring, codfish, soap, and detergents. The Minoterie d'Haiti and the Ciment d'Haiti, two other state enterprises, monopolized the importation and sale of wheat, flour, and cement. Two other enterprises were created, the Usine Sucriere Nationale de Darbonne, a sugar mill, and the Societe d'Exploration des Oleagineux, an oil seed company that produced cooking and industrial oil products and other substitutes for milk and meat. Because they were heavily subsidized, these enterprises undermined those in the private sector at the same time that they increased the prices charged to consumers.

On the other hand, the Duvalier government increased income taxes, taxes on luxury goods, alcoholic beverages, motorcars, general sales taxes, and coffee export taxes. The wealth appropriated from the state enterprises and from taxes were not used by the regime to promote industrialization, expand the economy's physical infrastructure, and extend education, welfare, health, and social services to the population. Rather, it went to enrich the high civilian officials and military officers, support the para-military Tontons Macoutes forces, and serve as non-fiscalized funds for the discretionary use of the regime. These various forms of intervention of the regime in the economy could not but negatively affect the prospects for economic development (Honorat 1981, 4-5; Pean 1985, 27-33).

If the small Haitian industrial bourgeoisie was frustrated in its efforts to expand its industrial base from lack of government support and its inability to compete with foreign imports, the agricultural sector, which

employs 70 per cent of the active population, remained the largest and the most backward sector of the economy. It even experienced a decline during the 1970s.

The characteristic features of Haitian agriculture is the proliferation of small farms of less than 3 hectares, with few medium-sized farms of 4 to 13 hectares, or larger farms of 14 to 25 hectares or more. According to the 1971 census, 90.6 per cent of all farms were less than 3 hectares, 9.1 per cent were between 3 and 13 hectares, and 0.3 per cent had more than 13 hectares. Of a rural population of 3,435,000, 19 per cent, or 656,000 people were landless (Anglade 1982, 106-107; Laraque 1987, 22).

The agricultural sector stagnated during the 1970s and began to decline in the early 1980s. The annual rate of growth was 1.1 per cent for the period between 1970 and 1980, and for 1980, 1981, and 1982, it was -1 per cent, -4.7 per cent, and -0.6 per cent respectively. Despite this grave situation the rural sector received a disproportionately small share of public expenditures. Seventy-four percent of the total population live in the rural areas, yet they received only 54 per cent of total public expenditures in 1976, in contrast to Port-au-Prince which with 14 per cent of the population received 28 percent (Barros 1984, 1:124-126; DeWind and Kinley 1986, 108; Honorat 1981, 14).

The causes of the decline of agriculture stem principally from the class relations of exploitation and domination of the peasants by the urban and rural bourgeoisies and the state, as well as from the pattern of land ownership and the methods of cultivation of the peasants. The increasing fragmentation of landholdings, demographic pressure caused by population increase, and soil erosion caused by excessive deforestation, aggravated the living conditions of the peasants. In an attempt to cultivate more land, the peasants farm more and more hillside lands. The clearing and deforestation of these lands increase the process of soil erosion at the rate of 5 per cent per year, and create a deficit of 1 per cent to 2 per cent per year of the arable land surface (Laraque 1987, 23). Consequently, production of the principal food crops, such as maize, rice, sorghum, millet, root crops, and pulses, as well as the main cash crop of coffee, experienced a steady decline.

In addition to the indigenous factors, the food aid program and cheap food imports from the United States have had negative consequences for Haitian agriculture. The importation of foodstuffs such as rice, cooking oil, soya, and milk powder, much of it illegally, undermined the domestic production of corn, millet, and rice. The importation of meat and poultry products have had an equally adverse effect on their domestic production (Caribbean Conference of Churches 1987, 5).

In addition to the state, two social classes exploit the peasants: the coffee exporters and the speculators who serve as intermediaries to the exporters. The speculators exploit the peasants by colluding among themselves to restrict competition and limit the options of the peasants in terms of the prices they are paid for their coffee. The speculators, therefore, are to be considered as members of a rural bourgeoisie who also possess large landholdings which they rent to the peasants. The speculators also engage in commercial and financial businesses in the rural areas and lend money to peasants at high interest rates or in return for future coffee harvests.

Speculators figure among the powerful functionaries in their respective towns, were among the strongest supporters of the Duvalier regime and used their power to coerce or threaten peasants to sell them their coffee at low prices. The speculators, therefore, along with the other large landowners who extracted rents from the tenant farmers, dominated and exploited the peasants and reinforced these conditions through the paternalistic ties established between the peasants and themselves (Girault 1981, 150, 233-234; Nicholls 1984, 255-259).

Moreover, the speculators and other large landowners who constitute the rural bourgeoisie and who directly profit from the exploitation of the peasants, oppose any transformation of the existing social structure, patterns of landownership, technological change, and the modernization of agriculture. Such changes would undoubtedly benefit the peasants and hence undermine the power and privileges of the rural and urban bourgeoisies (Girault 1981, 97).

As a class, however, the speculators are themselves subordinated to the coffee exporters, and mediate between them and the peasants. The coffee exporters extract the bulk of the profits from the peasants via the speculators. The coffee exporters formed a monopoly that controls the buying and selling of coffee, fixes the prices paid to the peasants, and passes on to the peasants the costs of the government taxes levied on coffee exports. The coffee exporters, moreover, do not only confine their business activities to the buying and selling of coffee. As with the wealthiest members of the Haitian bourgeoisie, the coffee monopolists are also involved in insurance, real estate, commercial representation and distribution of imported products, industries that produce for the Haitian market, and even in export manufacturing industries (Girault 1981, 162-163, 168, 191-204; Anglade 1982, 66-71; Honorat 1980, 9; DeWind and Kinley 1986, 127-131; Lundahl 1983, 1977-185).

The Haitian bourgeoisie, therefore, cannot be divided neatly into an industrial, commercial, or landed bourgeoisie. The same individuals often

combine all three roles and straddle the urban industrial and commercial, and the agricultural sectors. As long as the agricultural sector remains backward and thus labour can continue to be supplied at low cost to the industrial or commercial sectors, the Haitian bourgeoisie benefits from the exploitation of workers in all sectors. The Haitian bourgeoisie, therefore, whether as commercial, industrial, or rentier capitalists, have an interest in preserving the existing social system that constitutes the basis of their privileges and influence.

Of the 42 countries that produce and export coffee, Haiti's share of the world total production is a negligible 0.6 per cent. Consequently, Haiti is among those countries that are the most directly affected when the price of coffee declines on the world market since coffee exports is a major source of foreign currency for the economy and revenue for the government. The main consumers of coffee in the world are the advanced capitalist countries, and because they represent a small number of buyers their demand for coffee tends not to be elastic. This places the few multinational firms (like General Foods and Nestle) that control the buying, roasting, conditioning, and selling of coffee on a world scale in a monopsonistic position vis-a-vis the Third World producers like Haiti that are completely dependent on the markets and prices controlled by the multinationals (Girault 1981, 3-41).

Conclusion

Returning now to Lewis' model, it will be possible to draw out the implications of the preceding discussion of Haiti under the Duvalier regime. I have shown that the Haitian economy remained underdeveloped both because of the nature of and the relations among the urban industrial, commercial, and state sectors, and the backward agricultural sector. The establishment of the manufacturing assembly industries did not stimulate further industrialization because as an enclave of foreign capital that sector had no backward or forward linkages with the rest of the economy. The profits derived from that sector were not reinvested in Haiti to expand or create industries linked to the enclave industries. Rather, the profits were repatriated to the United States.

The agricultural sector remained untransformed and dominated by mercantilist relations of exchange. The backward agricultural sector continued to provide a source of cheap labour to the industrial, commercial, and service sectors in the urban areas. The profits extracted by the state and the privileged classes from the rural areas were not re-invested to ameliorate and modernize agricultural production. The profits accumulated by the privileged classes were used to expand urban businesses, in the con-

struction of luxurious housing, and for the consumption of imported consumer goods.

Haiti, therefore, continues to have its wealth drained and remitted abroad. The economy imports twice as much as it exports because it continues to consume what it does not produce and production for exports has not grown apace. The result is an ever increasing balance of trade deficit and a growing foreign debt.

The above analysis emphasized the articulation of international and internal class relations of exploitation as the root cause of Haiti's underdevelopment. It showed that the social structure, the pattern of land-ownership and of resource distribution, and the class relations of exploitation cause the backwardness of agriculture. This in turn blocked further industrialization because agricultural outputs did not serve as inputs to urban or rural industries, and industrial production did not serve as inputs to improve agricultural production. And neither the agricultural nor the local industrial sector forged forward or backward linkages with the export manufacturing enclave. Moreover, the position occupied by Haiti in the international division of labour (both in terms of its coffee and manufacturing production), and its weakness vis-a-vis the global market and the multinational corporations that control it also partly explain why it remains underdeveloped.

By emphasizing the effects of international and national class relations of exploitation, the above perspective reveals processes and contradictions that are latent in Lewis' argument rather than being incompatible with it. I am referring to the contradictions and conflicts within the Haitian bourgeoisie, between those who control the state apparatuses and the private sector bourgeoisie to appropriate the wealth produced by the peasants and the urban working class. In the evolution of the system of social stratification in Haiti, the state has always served as an important avenue of social mobility and a primary means of enrichment for members of the middle classes, both rural and urban. Those who control the state, therefore, have always sought to expand the state's control over resources. Taxation and state monopolies, in addition to other mechanisms of extortion, have been consistently used to such ends, and have often and inevitably encroached on the interests of the private sector.

Thus, the state does not use its accumulated wealth to expand the country's physical infrastructure, its social, educational, health and welfare services, and thus to promote the country's industrialization. Rather, the state constitutes itself as a force opposed to the other classes of the society, including the private sector bourgeoisie, and competes with them to

appropriate part of the surplus for its own ends. In addition to its monopoly over the use of force and to having its own means of wealth appropriation, the state reinforces its autonomy from civil society through its alliance with foreign capital, while simultaneously reinforcing the latter's dominance over the Haitian economy. In return for the financial and military support that foreign governments, especially the United States, provided to the Duvalier regime, the latter offered foreign capitalists all the advantages it could to entice them to invest in Haiti and to extract the maximum profits from Haitian labour.

Viewed in this manner, it now becomes clear why the Duvalier regime made no efforts to use the export manufacturing enclave to generate more integrated development by providing subsidies and services to both the agricultural and urban industrial sectors of the economy to supply as much of the inputs needed by the manufacturing enclaves. Nor did the regime require the foreign investors to reinvest part of their profits earned in Haiti to expand local industries that produced either for export or for the local market. Had such measures been taken, the establishment of the manufacturing enclave could have had some of the positive effects outlined in Lewis' model.

That the manufacturing enclaves reinforced Haiti's underdevelopment is also a possible outcome predicted by the Lewis model, as has been shown. By pointing to the existing class system to explain the nature of the Haitian economy, the relations among its various sectors, and why the establishment of manufacturing industries did not lead to further industrialization, I operationalized and made transparent latent aspects of Lewis' dynamic model.

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NOTES

1. Thomas, however, is guarded in his criticism of Lewis. Though he is generally critical of Lewis's argument, he does recognize that his views have not been treated fairly and that his policies were not followed by governments who opted for the industrialization by invitation strategy (see Thomas 1988, 75-77).
2. For discussion of Marx's views on merchant vs. industrial capital in the "Third World", Kay's work is useful while the debate on the "two roads" to capitalist development in Western Europe as outlined by Marx is treated in Hilton's works.

3. Though there are many differences among them, the proponents of the new “postimperialism” or the “New Political Economy” perspectives were influenced by the original critique of dependency theory by Bill Warren (1980). Among the proponents of these new perspectives are David Booth (1985), Henry Bernstein (1982), David Becker and Richard Sklar (1987), David Becker (1987), Richard L. Sklar (1987), and Peter Evans and John D. Stephens (1988).

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IV

BEYOND LEWIS: ALTERNATIVE LONG RUN STRATEGIES FOR CARIBBEAN ECONOMIES

Eric St Cyr

INTRODUCTION

The choice of appropriate strategies for resuscitating Caribbean economies is once more centrally before us. Immediately after World War II the region enjoyed a measure of economic progress because of a combination of circumstances. The world economy was in boom as the reconstruction effort got under way, new products were developed and a stable environment of economic cooperation produced global economic growth. Caribbean countries were able to tap into this expansion by extending production of old staples (sugar, bananas, bauxite and oil), entering the rapidly expanding tourism industry on an increasing scale, and developing secondary industry along lines proposed by the distinguished Sir Arthur Lewis, albeit import substitution industrialisation (ISI) rather than the resource base industrialisation (RBI) he originally proposed.

Since the turn of the seventies the world economic system has gone into a tail spin involving *inter alia* a virtual breakdown of the Bretton Woods system, massive dislocations in commodity markets, worldwide stagflation, and a sequence of energy crises. Most Caribbean countries have experienced serious economic difficulties. The Report of the Group of Caribbean Experts¹ indicates that in its proposals for charting the way forward there has been faithful adherence to the intellectual construct of 'modern' and 'traditional' sectors (p. 27) and to *industrialisation* and *regional integration* (pp. 31/43) as policy prescriptions. This paper seeks to loosen the intellectual grip which these ideas have had on public policy and to suggest for discussion some possible alternatives. In a nutshell an attempt is made to change the conceptualisation from that of a progression through primary, secondary and tertiary activities in a closed economy to that of production for export versus production for home use in an open world system.

CURRENT STRATEGY

Trinidad and Tobago epitomises the current strategy of long term transformation being pursued throughout the Caribbean. Ever since Adult Suffrage (1946) gave a voice in decision making to the representatives of the broad mass of citizens, the major thrust of economic policy has been *industrialisation* as proposed by Lewis² Active planter government, with its emphasis on policies favourable to the *export sector* (viz. labour, land, investment and taxation policies)³, gave way to popular democratic government with policies for fostering industrial development such as pursued by the Gomes administration (1950–56) and more aggressively by the nationalist government of the Peoples' National Movement (1956–1986). For more than thirty years the cream of the nation's intellect and the vast bulk of its public investment have been concentrated, first on the development of import substitution industries (ISI), later on export promotion industries (EPI) based on imported inputs, and most recently on domestic resources in the energy based industries at Point Lisas. This effort, we hasten to state, has been carried out with tremendous success in the sense that what it was stated would be done has been done.⁴ However, the hoped-for dynamic has not come about: the economy still functions very much as it did historically, being export/staple propelled, and most of its basic problems remain. Even the Carifta/Caricom pooling of markets to counter small size has not helped very much since here too the motive force remains the ability of member countries to earn foreign exchange.

It may be argued that the causes of this failure might be due principally to an inappropriate conceptual framework, the theoretical basis of which is not grounded in the specific Caribbean experience or tested in relation to that reality. Lewis, it seems, drew largely on Ricardian constructs derived and tested in the special case of Western European experience.⁵ If this is the fundamental cause of the failure of the policies to address the basic problem, it is also true that the post-war world economy and institutions have changed fundamentally, and both objectives and methods of key institutional actors have been radically altered. In consequence there has emerged a virtually new Third World theory.⁶ While this theory is giving rise to new perspectives on these problems the world is rapidly becoming a *services economy*.

It is against this background that it is thought that alternative long term strategies should be devised which can complement or replace the Lewis prescription. However, to embark on a new path requires a number of extremely difficult intellectual steps. To begin there must be some measure of consensus that the strategy of industrialisation has not successfully tackled the fundamental problems in Caribbean economy and that there is

prima facie a case for its review. This is likely to be difficult since a great deal of financial and political capital has been invested in the strategy and there are vested interests. Further, because the problems are pressing, we all feel the need for action, so the time required for the design, articulation, refinement and implementation of a new strategy, whose viability cannot be guaranteed, may be thought unaffordable. But the greatest difficulty is the alternative strategy itself. Since the human mind admits no vacuum, a less valid proposition must be superceded by one more valid. Moreover, a strategy for future action must rest essentially on the predictive powers of a theoretical construct and this requires insight, empirical validation and human persuasion.

THEORETICAL PERSPECTIVES

The first theoretical imperative is to lay bare the premises of the Lewis paradigm and to question its accuracy as a predictive and prescriptive device for Caribbean (and other Third World) economies. Some alternative perspectives will then be sketched, and following on a derivation of the key implications of some unchangeable parameters of the Caribbean reality (e.g. size, location, history) against the background of a dynamic world system, the elements of an alternative strategy will be suggested.

Lewis

That Lewis' prescription to 'industrialise' is the dominant idea in post-war Caribbean economic policy is beyond doubt. The theoretical content of the Lewis model rests firmly on the intellectual edifice constructed by the English theoretician, David Ricardo. Ricardo's model, broadly speaking, articulated the interests of the industrial classes in Britain against the lingering challenges of the landed aristocracy and the merchant classes for whom they had a close affinity. To crown it all the painstaking empirical work of Colin Clark's *The Conditions of Economic Progress* had seemed to establish by description and induction, firstly that a nation's wealth was positively related to the share of manufacturing in product, and secondly that there was a natural progression through a declining share of agriculture and concomitant rising share of manufacturing in product, followed by a rising share of services.

If one were to ask why an economy must progress from primary (agriculture) to secondary (manufacturing) to tertiary (services) activities, the answer might be that, from the *supply* side, the raising of productivity in logically prior activities (agriculture for providing man's basic need, food) by human ingenuity makes it possible to free resources for use in activities of lesser imperative (manufacturing, services, star-gazing, etc.).

Looked at from the *demand* side the finite size of the human stomach and the technology of food storage would seem to set limits on the demand for primary products while the demand for artifacts, personal services and, at a more sophisticated level, bank balances and other claims, might well be infinite.

It would seem though that the critical factor in this economic transformation is the raising of economic efficiency/productivity through human ingenuity, since this is the ultimate basis of the economic *surplus*. In the Lewis model the surplus must accrue to capitalists (taken as synonymous with industrialists) who will invest it productively. But why, might we ask, should this be so? There seems on reflection to be no universally valid reason which the science of economics can advance. It might well be that in the specific case of Ricardian England the industrial classes were the dynamic innovators who, by reinvesting the surplus in the only avenue opened to them, viz. towns-based secondary activity, firstly prevented it from being deployed in more leisure (one of the possible uses of the surplus), secondly maintained the level of effective demand, thirdly expanded the supply of goods by bringing into being new or cheaper goods which excited the desires of the consumer, and fourthly continuously widened the market for goods and factors. But there is no necessary reason why the dynamic should have come from manufacturing. Some countries have raised incomes, in the presence of adequate international effective demand, by modernising their agriculture and specialising in agriculture based export activities (e.g. New Zealand, Denmark), while others have again tapped international demand to specialise in tertiary activities (e.g. Switzerland for banking and winter sport).

One must be careful not to confuse the lessons of principle from the European case with the specifics which that experience shows to us. It happens that in the specific case when Ricardo observed the English transformation that the innovative and entrepreneurial classes were the industrialists. It also happens to be the case that markets were still relatively rudimentary and that output expansion from the supply side had to be kept in tandem with demand growth at a time when transport and communications made even national markets not fully integrated, and international markets were largely undeveloped. It also happens that a textile technology had evolved over the years, and that with the exhaustion of the forests, coal for fuel and iron for structures were the alternatives at hand to which necessity impelled. These are specific and need not be replicated.

The lessons of principle are however of universal validity, transcend space or time, and cannot be disregarded. Clearly the surplus must be invested productively either widening the quantum and range of supply or

reducing costs. For this to take place the enterprising members of society must be politically placed to manipulate the institutions in their favour so that the surplus may be captured and used productively. The second issue of principle is that effective demand must be adequate (Keynes) to permit an expanding supply to be sold at prices which are continuously remunerative so that costs are covered (Marx's realisation), surpluses generated and a stream of new investment opportunities accrue. In a worldwide economy these conditions need no longer derive from home markets. The third issue of principle is that when all costs have been covered. Substantial returns should accrue to the factors risked providing incentive to renewed enterprise. Obviously, a project of given success would yield highest national returns if the material, human, financial, technological and entrepreneurial inputs are largely indigenous. The issues of principle are therefore that there should be power in the society to deploy the surplus, markets at home or abroad, and production organisation so that the fruits of enterprise accrue at home and are available for reinvestment.

It seems that the Lewis strategy does not distinguish sufficiently clearly between the specifics and the principles from the European case in at least two ways. First, it is not the case that in all societies the industrialists will be the dynamic classes and that they must produce a specific range of goods based on iron ore and coal, textiles and machinery, as was the case in Britain. Secondly, because the international market may be treated as the target market, it could be safely assumed that adequate effective demand exists. The problem then resolves to finding ways of tapping in to these markets because if this can be done the concern about a balanced expansion of primary and secondary outputs need not be critical. Without for one moment denigrating the contribution of Lewis to the evolution of a strategy for economic transformation, it nevertheless would appear that he might have been misled by the specifics of the European experience into an unscientific application of the lessons from that special case to the Caribbean and other Third World countries.⁷ The strategy would seem to us to be in need of review.

International Effective Demand

One of the central themes in the history of economic analysis is whether, according to Say's law, "supply creates its own demand" so that demand can be assumed, or whether, according to Malthus and Keynes, demand can be deficient. It seems, however, that this debate has been treated at the level of the closed economy and specifically for the social institutions of a particular time and place. The point is being made because with the revolution in communications of the nineteenth century and coming into being of the international economy, and the twentieth century commitment (c.f. UN,

GATT, IMF etc.) to an interdependent world, the issue of markets must take on a new theoretical perspective. The conception being here advanced is that of a two-tiered market structure *the international market*, vast in size but not controllable by individual enterprises, and of equal size, though not equally accessible, to all; and *the domestic market*, smaller, more amenable to national control, and of vastly different sizes for each nation state. Viewed from this perspective, deficiency in effective demand need no longer be a constraint on economic development, and Say's Law can be assumed. The issue then becomes for each nation, in relation to its resource endowments and objectives, the combination of outputs for the home and international markets that will, with due account for strategic considerations, optimize its resource use. In this choice the critical factor may be a country's ability to tap the international market.⁸

In further development of the implications of this perspective, we find it useful to draw on two constructs, viz. the distinction between *commodities* and *specialties* in international trade and the dynamics of the *product cycle*.

In its early stages of a product's development, usually there are relatively few producers, supply is relatively small, and the technology tends to be undeveloped. High skill intensity characterises the production process which consequently tends to be labour intensive (hence the Leontief paradox). At the same time the novelty of the product may make for high demand and consequently permit large quasi rents to be earned. In time new producers enter the field, the technology may become standardised for mass production, the market become fully developed and relatively saturated, and price tends towards costs (including normal profits). At this mature stage in the product cycle only the most efficient producers can survive and international competition often turns on a country's ability to make cost effective product and process innovations through R&D efforts. Such mature standardised products are termed 'commodities' and international trade in them critically sensitive to cost.

Now it is possible even at this mature stage to produce a highly specialised type of this commodity aimed at a high income segment of the world market. Such a 'speciality' will behave, from the point of view of marketing, as a new product at the early stage of its cycle. The hypothesis being advanced is that successful participation in the international market is based on a sequence of successes in the development and marketing of specialities, since it is these which would bring abundant foreign exchange inflows in relation to resources used. The successful production of commodities will cover cost and yield normal profits but seldom generate large surpluses; their importance may lie in maintaining the society intact by

keeping mass labour occupied. This essentially Schumpeterian view of the *modus operandi* of the capitalist system has simply been extended to the international economy.

Technology

It has been recognised that technical progress is the engine of economic growth. While however this was well known among nations of the First World, as a study of the nineteenth century history of such countries as Germany (c.f. Peter Beuth's work) or of Japan's twentieth century economic miracle would clearly show, orthodox development economics focussed attention on capital formation while structuralists and dependistas concentrated on institutional factors and dependent relationships respectively. Meanwhile, industrial espionage and the patent game remained exclusive First World activities until about 1971 when Vaitsos⁹ injected into the discussion on dependent relationships the critical role played by the commercialisation of technology. Since then this dimension of the development problem has been added to a discussion of the nature of the corporate form¹⁰ as part of the complex determinants of development. In the specific case of the Caribbean the study of the role of technology in development has been formalised¹¹ and joined to the structural facts of small size for the fashioning of an appropriate development strategy and technology policy.¹² The main conclusion reached in these studies is that successful participation in the international economic system requires access to the world's growing store of knowledge and that the terms on which such access can be acquired critically depends on the development of the human resources in which alone can be embodied awareness of the existence of the stock of and changes in the quantum of knowledge and how best this can be accessed.

Structural Factors

An appropriate theoretical perspective on the functioning of Caribbean type economy which holds prescriptive possibilities must take account of some fundamental structural facts. Courtenay Blackman¹³ has warned that while these must be acknowledged as unchangeable parameters which must be built into the decision model they must not be treated negatively as if they were insurmountable impediments to social and economic advancement. Small size, as William Demas long argued,¹⁴ dictates that to be viable at any reasonable economic level requires substantial international participation. The facts of history and geographical location have bequeathed the Caribbean with established international connections which may be more actively pressed into service for the benefit of the region. The Caribbean has

been integrally at the forefront of some key developments of the modern world and remains today a part of that system.

The Changing International Economic Structure

The structure of the world economy is undergoing, as always, substantial change in a continuing dynamic process. The industrial revolution of the nineteenth century effected the first major change rendering the share of industry in total product substantial, and for the first time in human history to exceed that of agricultural type activities. The revolution currently in process is the rapid tertiarisation of the world economy.¹⁵ Thus it has been estimated that in the United States some 70 per cent of the labour force is engaged in services which now account for 65 per cent of gross national product. About one-third of all U.S. exports are services and about one-quarter of all trade between nations is so classified. It would seem that just at the time that exports of manufactures from Third World countries is becoming substantial that the dynamic in world trade is rapidly shifting from goods to services. Could it be that opportunities for earning quasi rents from international trade have shifted away from goods towards services?

A SUGGESTED STRATEGY

For Trinidad and Tobago, as for the rest of the Caribbean, present understanding of the nature and functioning of the economy suggests that a viable long run strategy must contain a number of critical elements with mechanisms for continuous review and for the adaptation of institutions to environmental conditions. Key elements must include the following:

- (a) the generation of a quantum of foreign exchange (measured real *per capita*) rising over time so as to permit expectations to be fulfilled, allow access to critical internationally produced goods and services, permit access to the fruits of world progress in knowledge, and to finance investment in domestic productive capacity - this must be undertaken by the *export sector*;
- (b) the production of a large volume of culturally determined goods (foods, clothes, housing) and services (arts, personal services) for consumption at home, the economic core so the speak of a distinct society; this will also conserve foreign exchange, maintain employment levels, spread incomes, and provide full rein for indigenous entrepreneurial talents - this must be undertaken by the *residential sector*;
- (c) a set of social and economic policies which emphasize the development of the human resource, which would keep an appro-

priate balance between participation in the international economy and residentiary activity, and foster the evolution of efficient economic systems by encouraging the development of financial and other institutions, promoting social justice, rewarding initiative and effort and maintaining social cohesion – this is the dimension of *system and policy choice*. Appropriate policies and institutions would encourage the generation of an *economic surplus* (accruing partly in foreign exchange) which must be mobilised and invested in areas conducive to the economic objectives of the society.

Sourcing the Investible Surplus

Caribbean countries have never failed to generate sizeable economic surpluses, as the fortunes of ‘King Sugar’ in the eighteenth century must attest, and so too more recently the post-war bauxite boom in Jamaica and the oil booms in Trinidad and Tobago 1956–1963 and again 1973–1980. The problem is that institutional and structural factors have usually combined to permit this surplus to be expatriated, banked safely abroad, or less than optimally deployed at home. Two conflicting strategies for mobilising an investible surplus come to mind. The first is for the careful husbanding of our existing human, financial and foreign exchange resources by substantially raising domestic savings and reducing foreign exchange use on current account. This proposal is not new and has been the central plank of the strategy of many development plans in the region. Somehow however it seems too politically painful and has never been pursued with sustained commitment. With the decline of the remaining agricultural staples, (sugar, bananas) and the decline in output and real prices of minerals, it remains perhaps the only certain source of an investible surplus. The alternatives, which because of their relative political painlessness might well be favoured, is to tap staples wherever they are still in boom (e.g. tourism) or encourage foreign investment. There would seem however to be no long term alternative to the careful garnering of domestic savings and the development of financial markets which both reward and protect such resources.

Deploying the Investible Surplus

Logically, the next level of problem to be resolved is the determination of the sectors, industries or activities in which to invest the surplus over the next 20 to 30 years. Since, as argued, total absence of a surplus has not been the Caribbean experience, the solution of this problem might well be the critical issue in a viable strategy. There is still a presumption that there is no alternative to promoting industrialisation through downstream activi-

ties or by widening and deepening the industrialisation process. On past evidence the social returns on such investments have not been high. More importantly however, as argued, that strategy is of doubtful efficacy.

Point Lisas

The Point Lisas Industrial Estate in Trinidad and Tobago is a valiant attempt to deploy surpluses generated in a period of export boom in long term projects with potential for earning a continuous flow of foreign exchange. It is also commendable in that the problem was addressed from the *supply* side (as opposed to earlier demand determined attempts at import substitution for the domestic market, or enclave industries aimed at existing overseas markets) thereby enhancing the retained value. However, the project must be criticised mainly on the basis of the implied strategy and the inefficiency in its implementation: it has come in at high capital cost. It would seem that the technical feasibility of the project was emphasized whereas both technical and economic considerations are jointly critical. Any foray into the international field requires the assessment of both market opportunities and production feasibility. This is even more critical for a small country where the limits on human, financial and material resources dictate the careful choice of a discrete subset of activities to pursue. There may indeed be no escape from choice of an inappropriate project and the only gain might be the learning experience. Downstream investments aimed at producing mature commodities for the export market based on high cost inputs can hardly be expected to make for price competitiveness.¹⁶

Two General Principles

A large continental economy, e.g. Brazil, India or China, may develop resource based industries for its domestic market since the potential exists in its large population base. If the industries are inefficient high cost producers, incomes will simply be low, but Say's Law and productivity growth can be combined to make for dynamic viability. If, however, an export thrust is being undertaken, even the large country must start from the market end and make the human and material base match the needs of the market. If *commodities* are being produced, cost effectiveness will be critical, whereas if *specialties* are being produced marketing will be the key. By contrast, if a small country restricts itself to the home market the absence of opportunities for scale economies may result in a low level of economic viability. Thus impelled to participate in the international economy, a small country must be extremely cost competitive or it will be forced out of producing commodities and be left no option but to produce specialties. In the latter event it must be organised to export and be expert in that area. Both

the need to produce specialties and the need to export require that the human rather than the material resource be so developed as to be the critical input in the productive process. The investment in and the stock of capital embodied in the human resource will determine success or failure.

Secondly, in the game of international trade clever methods must be used to package and conceal what it is exactly that one is doing or else it will be readily imitated in the importing countries, and national producers will object to entry of goods they can make in their quest to preserve jobs at home. One seldom thinks of the Japanese as large steel producers or exporters per se but in the export of motor cars, ships and the many other products made by machine tools made of steel, there is a substantial steel content embodied in all of these exports.¹⁷

The Strategy in Outline

Firstly, we hypothesize that a substantial part of the future surplus garnered must be invested in the stock of human capital. This is a fundamental and critical departure from the emphasis to date on capital investment largely in the form of infrastructure, buildings and plant. It derives from our notion of how the international economic system functions and the view that the inevitable participation in it requires *inter alia* the highest in *human ingenuity*. A highly developed human resource is necessary if we are to be at the forefront of new areas of knowledge, for successful pursuit of those areas of production chosen, and in order to be able to operate at the highest international levels in the fields of finance and commerce. Moreover, in our quest to be an adaptive and educative society early aware of the implications of critical world developments and sufficiently well-organised and flexible to make the relevant adjustments at relatively low social cost, a high level of human development is inescapable. In short we must recognise that *knowledge* is the critical resource in the world today. Clearly implied in this reordering of investment priorities is a fundamental rethinking of the educational system.

The second major investment decision pertains to the allocation of resources between export and residentiary activity and the choice of the particular industries within these broad areas. Here it would seem that a critical decision of future public policy will be deliberately to undertake investment which buttresses the residentiary sector whereas hitherto the lion's share of investment has tended to go to 'modern' sector activity either of an export oriented or import replacement type. The case is easily made on grounds of logic. Whereas the export sector earns necessary foreign exchange, the residentiary sector is the economic core of a culturally distinct society. That a measure of balance between the two is desirable

is self evident. To the extent that both historically and in the current period the export sector has been preferred, a reversal of past patterns would enable the residentiary sector to better fulfill its role of providing a culturally determined basket of goods, spreading employment and incomes, facilitating the growth of entrepreneurial talents throughout the society, and making for greater social cohesion. The relative sizes of the export and residentiary sectors through time will be a crucial control parameter of the development process and would reflect consumption preferences, the terms of trade between the sectors and the distribution of political power between social groups engaged in residentiary and export production.

The third problem to be solved pertains to the specific export industries to be pursued at any point in time and how to organise the society and economy continuously to replace these by new ones so as not to be caught out by a stagnant phase of the product cycle.¹⁸ There is no blue print and only some a priori guidelines will be sketched.

One begins by recalling that the Caribbean in general are high wage/ productivity economies. The principal known material resources are agriculture and forestry, bauxite, oil and natural gas, and tourism potential. This is, however, an open frontier, since it is human ingenuity which defines material resources. Since we do not now master the techniques of international finance, technology or project development and implementation, most projects tend to come in at high capital cost. Moreover, most of our present industries produce mature commodities for export. Starting from such a high cost base and with few obvious comparative advantages for competitive commodity production, a strategy for industrial production for export seems unlikely to be successful. If industry is to be pursued it must be for specialty products aimed at dynamic niches in international markets and it is to this idea that we turn.

Specialty Industries

As illustrative of the idea of developing specialty industry with export potential, which are difficult to copy, and which can extend downstream from existing activities, steel band musical instruments in Trinidad seems to be a possibility with good potential.

It has been said that the steel band is the only musical instrument invented in the twentieth century. There may well be a niche in the world market for it, which if successfully tapped can be the vehicle through which an export trade in steel, hidden in steel band instruments, can be developed. But the hardware cannot simply be shipped. A complex of hardware and software must be patiently developed and integrated into a complete export

industry. Thus the development of the musical form might involve steel-bandsmen becoming professional musicians, composers and arrangers playing, in addition to international classical and modern pieces, music of their own composition based on the rich variety of West Indian folk tunes. This music may be performed both at home and in the concert halls of the large city centres of the world, entertaining, demonstrating the possibilities, teaching the techniques while earning foreign exchange. At home music schools may be organised for the teaching and further refinement of the art, and summer programmes may be arranged for visiting artistes. When this is underway, salesmen can get into the act of selling instruments, at which point backward linkages will develop with steel band tuners, instrument makers and steel manufacturers. The game does not however end here. The tuning of instruments must become a follow-up service at home and abroad. The art from itself will be stimulated to grow, rendering old instruments obsolete in the dynamic process of product development. This will create a continuing market for instruments, tuners, teachers, performers, historeographers and the like. West Indian populations¹⁹ in London, New York and Toronto might present the initial entre to developing a niche in the world market of the music lovers. It is important to note that the critical factor in this endeavour will be the human input and the wide range of skills necessary viz. musicians, metallurgists, entrepreneurs, tuners, teachers, financiers, salesmen.

Specialty Services

The changing structure of world output away from agriculture and industry and in favour of services suggests that growth potential in the latter area holds greatest prospects of success. In the post war period the Caribbean region has developed its tourism, and valiant attempts are being made to develop such other traditional services as transportation, insurance and finance for import replacement. These however are all of the nature of 'commodities'. For the export market a carefully chosen subset of services of the nature of 'specialties' with international appeal can be developed with beneficial impact on the foreign exchanges. For illustrative purposes three possibilities are sketched.

(a) *Medical Tourism and Geriatric Care:*²⁰ Against the background of an aging world population a number of metropolitan medical schools have recently begun to focus attention on the study of geriatric medicine. The medical schools of the Caribbean can usefully develop a specialisation in this area and link it to the tourist trade specialising in the care of older persons. The idea being put forward, is that in addition to the usual range of medical services in a teaching hospital, a narrow range of specialisations

with economic potential can be developed and that one of those may be the care of the old. Senior citizens of the West Indies will be an obvious target group, but the facility can be developed with the central purpose of earning the region foreign exchange. Hotel facilities may be developed in Barbados, Jamaica and Trinidad and Tobago aimed at selling an annual package to older tourists which would include a stay in the tropics together with routine and specialist medical care. To foster continuity and international contact, joint research and consultancy projects can be developed between Caribbean medical schools and those specialising in geriatric medicine located in some of the key tourist origins e.g. New York, Toronto. Once again it is to be noted that medical, nursing and related skills will be key to the success of such a venture.

(b) *Construction Services*:²¹ A second example of a specialty export in services is that of construction. The fact that already large numbers of West Indians work as a plumbers, carpenters, electricians, masons or painters in New York, Miami and Toronto suggests that we already export the service. There is however the need to organise this activity at home and export a package, and to do this the skills of consultancy and contracting services must be added. Recent development such as the teaching of construction engineering and management at the University of the West Indies, St. Augustine, the coming of merchant banking with a potential for developing financing packages, the specialisation of steel production in wire rods, a key construction steel input, the growing number of consulting firms, and development of efficient systems in contracting firms suggest that the potential for exporting these services to the booming construction of Florida, Central and South America and to Africa might not be out of the realm of possibility. The export package might include design service, construction, part finance, construction steel and of course skilled labour.

(c) *Communication and Language Skills*:²² A third example of a specialty export service with unique possibility for long term development derives from the geographical location and history of the region. The region is located critically between the English and Spanish speaking Americas and looks across the Atlantic to Africa and Europe. In the region live all the world's major ethnic and cultural groups. They embrace the major European languages (English, French, Spanish and Dutch), two of the major oriental religious and language groups (Hindi, Urdu), a wide representation of African religious and cultural forms, and representatives in smaller numbers of other ethnic and cultural groups (e.g. Chinese). In a world increasingly kept apart by the prejudices which inhere from cultural differences and linguistic inadequacies, the Caribbean region seems ideally placed to be the stage on which the world community of nations can meet.

By the example historically of 'dwelling together in unity', and the trust deriving from an identification with one's ethnic, language and cultural conferees, the Caribbean person is ideally placed to initiate, organise and manage such a world community of peoples. The basis however would remain the full development of the human person, fluent in European and Oriental languages, knowledgeable of the cultural heritage of several major world peoples, and skilled in the art of communication.

Specialty Agriculture

For purposes of completeness it must also be shown that the theoretical construct of specialty exports also applies to agriculture. Nothing new is being suggested by stating that in the high income centres of the world there are market niches for agricultural based products which possess high income and low price elasticities, and that identification of the possibilities can be the basis of a lucrative export trade. The items often suggested are exotic tropical fruits, ethnic foods and cut flowers. The well known example of Dutch tulips is often cited as illustrative. We would do well to recall that when sugar first emerged as 'King' in the eighteenth century Caribbean economy it was an 'exotic' tropical product of the nature of a 'specialty', and that by the late nineteenth century when the first major sugar crisis developed it had degenerated into a mass produced 'commodity'.

SUMMARY - THE BASIC STRATEGY

The various elements of an alternative long term strategy for resuscitating Caribbean economies may now be summarised.

First, a systematic policy for generating savings, rewarding such activity, protecting such capital and directing it into productive use at home is an inescapable point of departure.

Second, a sizeable part of the surplus must be invested in the development of the human resource to provide a broad educational base in the natural sciences, languages, humanities and social sciences as complementary areas of human endeavour, followed by specific training in the professions, skills and attributes necessary for the pursuit of the sub-set of commercial activities chosen.

Third, investment intended to broaden the economic base should be undertaken explicitly in the two key sectors, viz. in the development of an export thrust and in areas complementary to the residentiary sector.

Fourth, the export thrust developed will have a high content of specialty services, and where goods are being produced they will be of a

specialty nature, the material content being 'hidden' in a cultural cocoon or tied in with specialty services unique to the Caribbean potential. Mature commodities will, in the long run, be gradually displaced as market forces for products and factors dictate.

Fifth, the residentiary sector will give emphasis to agriculture and agro-industry, the development of a measure of food security, and to the raising of living standards in the rural areas (measured by the level of consumption) to closer equality with the urban areas. This will be brought about by a bias of residentiary investment towards the rural sector. In addition, the residentiary sector will emphasize the development of the indigenous art and cultural forms, as evidenced in various national festivals.

Sixth, affordable housing will be emphasized as the major basic need and the principal consumer durable in which individuals will hold private assets. Such other basic needs as transportation and health will flow from a proper development of the infrastructure. It is critical that financial markets be developed which will mobilise savings for housing and for use in productive investment, which will protect asset values and yield attractive returns to those who forego present consumption.

Seventh, public policy will encourage an outward looking international posture. Autarky is not part of the strategy. However, participation in the international economy will be active rather than passive as hithertofore.

Finally, the key policy derivative is a reallocation of the investible surplus away from the Lewis-recommended manufacturing towards human resource development, as the basis of active participation in the international economy. Residentiary development of food supply and shelter will reduce the international risk to which historically there has been exposure. In the approach to international participation the focus will be on activities which are specialties, whether agriculture, manufactures or services, and on the careful packaging of all aspects of the export mix.

Since by definition a small economy cannot successfully undertake a wide range of economic activities, conscious choice must be made of the carefully selected and continuously up-dated subset of industries to pursue. It follows that astute forecasting of the world economy and systematic planning must be central to the strategy. The organisational implications of this alternative strategy are not pursued in this paper though it would seem that much in the present arrangements may not be appropriate. Since, however, ideas are logically prior to their implementation, the view may be taken that the necessary organisational structures would be put in place as part and parcel of any serious decision to alter strategy. The question

however remains whether present political perceptions of the possibilities and the existing distribution of political and economic power in the society would permit the radical changes implied in the alternative strategy here sketched.

NOTES

- [1] *The Caribbean Community in the 1980s* - Report by a Group of Caribbean Experts, CARICOM Secretariat, 1981.
- [2] Lewis' key articles are well known and include "The Industrialisation of the British West Indies", *Caribbean Economic Review*, Vol. II, No. 1, May 1950 and "Economic Development with Unlimited Supplies of Labour", *Manchester School*, 1954.
- [3] For a discussion of these policies in a wider political context see Lloyd Best: "A Biography of Labour" in G. Beckford (ed.) - *Caribbean Economy, I.S.E.R.*, 1974 and "Outlines of a Model of Pure Plantation Economy", *Social and Economic Studies*, 1968.
- [4] See E. St. Cyr: *Industrial Development Strategies in Caribbean Countries - Trinidad and Tobago*, UN, ECLA, CEPAL/CARIB 81/3 Add. 7, February 1981 and IDC document "Record of Major Achievements 1959 to date", September 1981.
- [5] See E. St. Cyr: "On Lewis' Theory of Growth and Development", *Social and Economic Studies*, Vol. 29, 1980.
- [6] Typical of this powerful literature is S. Amin: *Accumulation on a World Scale*, Monthly Review Press, 1972. C.Y. Thomas: *Dependence and Transformation - The Economics of Transformation to Socialism*, Monthly Review Press, 1974 has attempted an application of this theory to small, poor economies.
- [7] On the question of distinguishing between specifics and principles, the story has been told of the philanthropist, who, in order to alter the economic plight of blind persons in the wine growing areas of north-eastern France, conceived the idea of organising such persons into a workshop for making baskets used in the harvesting of grapes. The endeavour was highly successful. Since then all over the world blind people have been organised in workshops making baskets, most of them commercial failures. Clearly the principle and the specifics have been confused.
- [8] See Trevor Farrell: "The Roots of Unemployment", *Social and Economic Studies*, Vol. 29, 1980 for what is essentially a discussion of effective demand in an international context and how success in tapping the international market can solve the domestic unemployment problem, as the mercantilists knew.
- [9] C.V. Vaitsos: "The Process of Commercialisation of Technology in the Andean Pact: A Synthesis" in Hugh Radice (ed.) - *International Firms and Modern Imperialisation*, Penguin, 1975.
- [10] This discussion started with J.K. Galbraith: *The New Industrial State*, Hamish Hamilton, 1967.
- [11] See for example N. Girvan (ed.): *Essays on Science and Technology Policy in the Caribbean*, S.E.S., Vol. 28, No. 1, 1979.

- [12] T.M.A. Farrell: "Small Size, Technology and Development Strategy", *C.T.P.S. II Research Paper Series*, No. 4. 1982.
- [13] C. Blackman: "The Ideological Obstacles to Economic Development in the English-Speaking Caribbean" (mimeo), 1978.
- [14] W.G. Demas: *The Economics of Development in Small Countries with Special Reference to the Caribbean*, Mc. Gill University Press, 1965.
- [15] See E. St. Cyr: "The Services Sector in the English-Speaking Caribbean, *Trinidad and Tobago Review*, Vol. 2, No. 10, June 1978.
- [16] See Trevor M.A. Farrell: "The Worship of the Golden Calf: An Oil Exporter's Industrial Strategy, Technology Policy and Project Planning During the Boom years", (mimeo) 1987, 408pp for fuller discussion of the Point Lisas industrial projects.
- [17] The story is told of a guard working during World War II at the American Base at Chaguaramas. Every afternoon he observed a certain worker to leave the premises after work pushing a wheel barrow stacked with trash. The guard would thoroughly search the trash, and finding nothing of value permit the worker to proceed. The guard however remained of the view that something was being stolen. On the Friday, the last day of his guard duty at the gate, he asked the worker to tell him what it was really that he was stealing. "Wheelbarrows", replied the worker!
- [18] We focus on the export sector for two reasons. Firstly, with the nationalist movements of the post-war era one imperative of economic independence has been to remove the export sector from the control of international corporate elites. Secondly, the fluctuations of the international economy have had the greatest impact on these economies and stabilising export earnings in the long run is urgent. There is also tremendous evidence of spontaneous dynamism in the residentiary sector even in spite of the bias of public policy against it.
- [19] In the development of specialty exports with a cultural flavour, Caribbean countries have the distinct advantage of large settlements of emigrants in many of the metropolitan countries. These persons are a sort of 'Trojan horse' and if used to advantage can be a critical spring board in the penetration of metropolitan markets. This potential must however be tapped before first generation West Indians pass on and it is too late.
- [20] The original idea is due to Dr. Nelson Foote formerly Hunter of Hunter College, New York who also impressed on me the distinction between commodities and specialties.
- [21] Discussions of the possibility of exporting construction services with Mr. Compton Deane formerly of the University of the West Indies have been helpful.
- [22] Mr. Lloyd Best discussed this possibility in a lecture at the Port of Spain Public Library in August 1979, and I am indebted to him for the idea.

V

THE POLITICS OF INTER-ETHNIC ACCOMMODATION IN A DEMOCRACY: THE LEWIS MODEL

Ralph Premdas

INTRODUCTION

The term consociational democracy has now become an established concept in the political science lexicon. While it is most closely associated with the name of political scientist, Arend Lijphart,¹ I intend to show in this paper that Sir Arthur Lewis provided a significant set of antecedent ideas on which consociationalism was erected. Consociational democracy is perhaps the most influential alternative form of government available to Third World countries which have suffered from the setbacks of the openly-competitive Anglo-American democratic variant. Anglo-American democracy is in part based on a zero-sum contest for representation and patronage in which the electoral victor wins sole control over the government and literally takes all the political spoils and distributive benefits available in the polity.² Consociational democracy, as an alternative, is founded on a preconceived formula that deliberately averts the winner-take-all implications of political competition by substituting a more predictable process for the acquisition of a guaranteed share of parliamentary and cabinet positions, government jobs, budgeting allocations, and access to decision-making. Whereas Anglo-American democracy unleashes unrestrained competition for the values of society with no promise of sharing with defeated adversaries, consociational democracy attempts to constrain competition limiting access to values by principles of proportional equity and sharing.

To many analysts of the Third World, cultural pluralism is the most salient feature of the post-colonial state.³ In these plural societies, political competition tends to be built on exclusively sectional parties which view the contest in absolute quasi-military win-loss terms.⁴ Almost invariably, this results in instability and disunity leading to one-party systems and military intervention. Hence, it is argued that the consociational formula for sharing is most appropriate to maintain unity, stability, and some measure of democracy. The Anglo-American democratic format with its built-in bias for intense zero-sum contests is suitable for "class societies" that are already

integrated sharing a basic body of underlying norms and institutions which tend to limit the scope, stakes and therefore intensity of political competition. Unbridled multi-party competition is associated with several grave ailments. To many Third World governments, then, to avoid ethnic civil war, racial repression, and continuous internecine bloodletting, the alternative consociational arrangement is the best solution.

Very few analysts are aware of the role of W. Arthur Lewis in contributing to the construction of the consociational democratic framework. In fact, in Lijphart's seminal work, *Democracy in Plural Societies*, Lewis' contribution was referred to as "The Lewis Model."⁵ Lijphart described at length Lewis' insights in constructing an alternative form of democratic government to accommodate the conflicting claims among rival ethnic parties. In this paper, I examine the "Lewis Model" and evaluate its contribution to the consociational framework.

Defining the Problem

W. Arthur Lewis enunciated his ideas on the problems of democracy in a plural society mainly while he served as an UN adviser in West Africa. In fact, his work, *Politics in West Africa*, focussed his discussion mainly on the states of West Africa. However, given the broad commonality in socio-economic environment that West Africa shares with the Third World especially the rest of Africa, Asia and the Caribbean, it is justifiable, when care is exercised, in extrapolating Lewis' views on West African politics to the Third World generally.

To Lewis, the fundamental political problem of the Third World is the pervasive condition of multi-ethnicity and cultural pluralism. Specifically, he pointed to the lack of unity caused by the indiscriminate demarcation of colonial boundaries drawn with little regard to the traditional pattern of indigenous settlements. Not only in West Africa, but in practically every part of the Third World, the post-World War II map of new nations described entities whose distinctive feature was their cultural pluralism and the associated problems of disunity and instability. Argued Lewis: "The fundamental problem is neither economic nor foreign policy, but the creation of nations out of heterogeneous people."⁶ Referring to West Africa in particular, Lewis underscored the difficulty of reconciling the rival claims of each ethnic element in the post-colonial state:

As we have seen, each country contains several tribes, living at different economic levels. Tribal consciousness and economic differences combine to produce mutual antagonisms which menace the unity of the state.⁷

Multi-ethnicity bedevils the entire Third World; what Lewis portrayed in West Africa is universally present in the newly independent states of Asia, Africa, and the Caribbean. The typical Third World country contains a mosaic of "nations" each in its own right a terminal community. Countries like Nigeria contain numerous nations (250 in the case of Nigeria), while others like Guyana, Sri Lanka, and Fiji only a few. Colonial administrative practice was based on divide-and-rule tactics with little effort made to establish cross-communal socially integrative institutions. The "mutual antagonisms" that Lewis alluded to are a universal Third World phenomena. In places like Lebanon, Cyprus, Guyana, Fiji, Malaysia, Sudan, India and Indonesia, the centrifugal pressures released by the rival ethnic elements daily threaten to burst the state asunder at its ethnic seams. Enormous internal problems attend the condition of multi-ethnicity and disunity, causing the new governments to squander huge sums from their scarce resources to enforce law and order, to appease the threat of secession, and in some cases, to maintain a repressive apparatus of domination. With scarce resources employed to maintain unity and to preserve power, little is left for development projects and to alleviate poverty. Endemic multi-ethnic conflict guarantees persistent poverty.

If to Lewis the fundamental underlying problem besetting the Third World is cultural pluralism, then its more immediate manifestation is the resort to one-party systems as the institutional solution. To Lewis, the one-party system is anathema, for it tends to exacerbate the problem of unity and stability. The tendency to resort to one-party systems in West Africa was frequent as Lewis noted:

Since 1957, twelve countries gained independence in West Africa. In 1957, each of the countries had two substantial parties except the Ivory Coast and Liberia. Now the situation is reversed for they are all single-party states except Nigeria and Sierra Leone.⁸

Lewis abhorred what the one-party state implied: intolerance and repression. He is an ardent advocate of democratic rights in a free society. The one-party state tended to eliminate all sources of alternative opinion. Said Lewis:

Steps were taken either to absorb the opposition or to suppress it ... Of equal importance with the suppression of political parties has been the suppression of independent criticism by individuals and other groups outside the parties, including control of the press, trade unions, farmer organisations, abolition of civil liberties and curtailment of the rule of law.⁹

Lewis is a fierce defendant of a free and open society, but in particular, he is convinced that in the Third World the proponents of the one-party state do not understand democracy since few of them even experienced and internalised it.

More relevant than charisma is the fact that most of the new politicians have no commitment to democracy; have never experienced democracy, and know neither its philosophy nor its history.¹⁰

The new politicians come mainly from primary schools, have little acquaintance with European history and have never been outside their country until elected to office. For most of them, independence means merely that they have succeeded to the autocracy vacated by British and French civil servants. They model themselves on the arrogant and arbitrary pattern set by governors and district commissioners, if only because they knew no better.¹¹

For Lewis, the one-party phenomenon destroys the advantages of a democratic state. Democracy is a valuable asset and a positive environment for development apart from being an end in itself. But what does Lewis mean by democracy?

Lewis' conception of democracy revolves around the idea of representation. For a democracy to exist, access to decision-making must be equally available to all interests and groups in a polity. For him, it is an inherent right of the human person or group to participate in decisions that affect them.¹² This does not mean that ultimate decisions will necessarily incorporate all interests and demands, however, but that compromises will be made in majority decisions. Majority rule is qualified by permitting minority views to be represented in opposition parties. Opposition existence is testimony to tolerance of diversity. Oppositions also serve to contain dishonesty, corruption, and arrogance in public places. A political culture of democracy permits government and opposition to co-exist as if in complementary parts and requires give and take to be incorporated in compromises. Differences in opinion which are not allowed either to be expressed or to be accommodated in some way tend to undermine the vibrancy of the polity as well as its performance. Argues Lewis:

The case for democracy is not that it prevents tension, but that open discussion creates a healthier society than is achieved by suppression. The diffusion of responsibility diffuses conflict. Each of us belongs to several groups with different interests and the fact that we are opposed to this man on this issue but allied to him on the next prevents our conflicts from running away with our emotions.

Bottling up conflict or concentrating it in the single party is undesirable. Besides, given the low quality and the inexperience of so many West African politicians, independent sources of political thought and criticism is vital to West Africa. To survive, these politicians feel that they have to destroy the independence of farmers, unions, churches, universities and all other institutions by bringing them under party control. They make a desert of democracy and call it social peace.¹³

Critical to Lewis' democratic framework are free elections to obtain representatives for collective decision-making. It is not good enough to obtain a permit to rule based on the size of popular meetings or on claims to charisma. It is only the ballot that certifies legitimate rule. Says Lewis:

Democracy means that people are willing to accept the results of fair elections; the will of the masses of the people, fairly ascertained through the ballot box, is supreme in determining who will govern.¹⁴

Lewis attaches one critical condition for the acceptance of election results by all participants: the pre-existence of an underlying consensus of the central values in the society. Put differently, elections should not licence the victorious party to radically re-design a society especially where such a restructuring will endanger the vital interests of the losers in the electoral contest. Argues Lewis:

Now, willingness to accept the results of the ballot box requires consensus. This will not be found where the contenders for power disagree so sharply on matters which they consider fundamental that they are not willing to allow their opponents to govern, whatever the ballot box may say. Labor or Conservative or Republican or Democrat, accept a verdict of defeat only because they believe that the other chaps will not do anything dreadful. If this consensus did not exist, the ballot box will not be accepted.¹⁵

In sum, the Lewis' model of democracy contains the following components: (i) access to decision-making by all interests; (ii) accommodation of opposition interests *via* compromises; and (iii) free and fair elections in a consensual state. In this scheme of democracy, Lewis sorts out the single-party institution as the main enemy. The single party state is anti-democratic tending towards authoritative rule, repression, and denial of free and fair elections. In his attack on the single-party state, Lewis systematically took each of its claims to virtue and submitted it to scorching analysis and condemnation. With regard to the claim that the single party will channel and contain the tensions generated by rapid political change, he counters that "the party cannot prevent people from being discontented with their lot".¹⁷ Its tendency is not to channel discontent, but to suppress it turning the

frustrations of the electorate inwardly on the party itself causing infighting and instability.¹⁸

With regard to the claim that the single party promotes unity in a multi-ethnic state by suppressing tribalism and parochialism, and developing at the same time a higher loyalty to the state, Lewis retorts that the single party state has generally failed to rise above its own tribal base and in fact has used single-partyism to conceal its practice of ethnic domination. Concludes Lewis: "The single party fails in its biggest claim, that it is the appropriate vehicle for resolving regional differences."¹⁹ Similarly, to the assertion that the single party promotes stability, Lewis argues that "absence of an alternative party means not only greater instability, but grave errors of policy."²⁰ Finally, in relation to the point that the single party is the best means for the efficient use of scarce resources towards development, Lewis counters that the existence of opposition avoids waste: "Free criticism is required to scrutinise waste, inefficiency, and corruption."²¹ Concluding his polemic against the single-party state, Lewis succinctly states:

The single party thus fails in all its claims. It cannot represent all the people; or maintain free discussion; or give stable government; or, above all, reconcile the differences between various regional groups. It is partly the product of the hysteria of the moment of independence when some men found it possible to seize the state and suppress their opponents.²²

TOWARDS A DEMOCRATIC ALTERNATIVE: INSTITUTIONAL SOLUTIONS

Lewis' point of departure is a sharp distinction made between class societies and plural societies. The former refer to the consensus-bound societies of Western Europe and North America where political conflict revolves mainly around limited issues. To Lewis, these societies had long solved the problem of establishing the central and strategic values in their society. Consequently, political struggles tend to be moderate and the states tend to be limited. Even if Lewis is mistaken about the level of integration in these societies and persistence of ethnic cleavages, the fact remains that for the greater part the fissures in the European and American states tend to be less deep, persistent, and polarised than in the typical Third World state. To Lewis, the ex-colonial countries of the Third World are "plural societies", meaning that they are constituted of several complete societies each with its own institutional structures for socio-economic survival. This cultural fragmentation throws up intractable difficulties of unity, stability, legitimacy, justice etc. causing Lewis to conclude that: "The fundamental

problem of the Third World is neither economics nor foreign policy, but the creation of nations out of heterogeneous people."²³

Lewis has set forth his own prescription for democratic success in plural societies of the Third World. We examine each of the structures he has advocated in turn:

(i) Elections and Majority Rule

While requiring elections as an integral part of his democratic framework, Lewis emphatically rejects the zero-sum aspects of the Anglo-American electoral system which has been transferred to many parts of the Third World. Under the Anglo-American electoral model, the victor in elections takes control of the government and, in so doing, is not required to share the allocation of projects, employment, and other values with the defeated parties. Called the zero-sum principle, this sort of competition impoverishes the loser:

The doctrine asserts the right of the poor to liquidate the rich. Politics is what the mathematicians now call a zero-sum game; what I win you lose. You have the wealth, I have to take it. European politics has been operating in this mould for the past 300 years.²⁴

When the zero-sum principle is grafted in a culturally fragmented state such as typically found in the Third World, the implications can be catastrophic. Because of the lack of an underlying consensus, the fact of losing assumes an aura of a military rout found between warring adversaries. Zero-sum conflict bears an exclusionary feature and carries symbolic connotations of outright rejection. For this reason, Lewis condemns the zero-sum feature of electoral systems transferred to plural societies:

Translated from a class to a plural society, this view of politics is not just irrelevant; it is totally immoral, inconsistent with the primary meaning of democracy and destruction of any prospect of building a nation in which different peoples might live together in harmony.²⁵

Instead of a zero-sum attitude, a more sharing orientation is vital for a democratic society to survive. Said Lewis:

It is necessary to get right away from the idea that somebody is to prevail over somebody else; from politics as a zero-sum game. Words like 'winning' and 'losing' have to be banished from the political vocabulary of a plural society.²⁶

In terms of his view on democracy, the zero-sum aspect of electoral politics violates the idea of access to decision-making and to dialogue and compromise between government and opposition. Zero-sum politics tends to encourage practices of suppression and victimisation. Lewis claims that the

concepts of “majority” and “minority” are not understood in the traditions of the Third World and, in particular, the adversarial competitive system transferred to plural societies. In Western democracies, it is argued that a basic agreement underlies competition so that minorities in opposition are recognised and are consulted and placed in important committees and offices such as the government-paid “Office of the Opposition”. Lewis condemns what he calls “the divine right of majority rule” as practised in plural societies of the Third World.

Now this agreement does not exist in West Africa. For one thing, the parties have been reared on an erroneous definition of democracy, by which it means that the majority is entitled to rule over the minority. The divine right of majority rule has played such an important role in the struggle for independence that many people have come to believe in it. The idea that the quality of democracy is to be tested rather by the extent to which the rights of the minority are respected is novel. Elections are a zero-sum game. Those who vote the wrong way are penalised; the roads in their area are left to deteriorate; contracts are placed elsewhere; and so on – even where physical violence is not employed.²⁷

Hence, Lewis has re-designed the electoral institution in such a manner as to eliminate its zero-sum features, while providing for consultation and sharing in the post-election period. To do this, he has recommended (i) at the electoral level, a system of proportional representation that uses the single transferable vote; and (ii) at the level of government, a coalition arrangement. We shall examine each of these in turn. Under proportional representation, minorities gain access to Parliament proportionate to the votes they obtain throughout the country. To Lewis, this is vital for, “if minorities are to accept Parliament, they must be adequately represented in Parliament.”²⁸ The use of the single transferable vote tends to encourage candidates to court the second and third preference votes of their opposition. In the end, electoral appeals tend not to be strident and exclusivist, but to be moderate and co-operative.²⁹ Such cross-communal courting that exists prior to elections provides a favourable aura in the post-election period for coalition formation. To the argument that proportional representation tends to give rise to an unstable multi-party system, Lewis replies that this is offset by the advantages of greater representation of minorities in Parliament. Besides, a multi-party system sets the basis for cooperation in coalition-building. In rejecting the zero-sum competition implicit in the first-past-the post simple plurality electoral system, Lewis underscores the need not to uncritically adopt foreign institutions to local circumstances:

Different electoral systems serve different purposes and suit different situations. A system that suits homogeneous class societies should not be expected to function well in non-Marxist plural societies. Where cleavage is a problem, one needs a system which will give minorities adequate representation, discourage parochialism and force moderation on the political parties.³⁰

The other feature that Lewis recommends to counter zero-sum policies is coalition government. Lewis stoutly believes in the intrinsic value of sharing access to decision-making by way of coalition formation. Proportional representation, in so far as it leads to a multitude of parties, sets the stage for coalition formation. While he does not think that every minor party should partake in a coalition, he recommends that those groupings with at least 20 per cent of the votes should be a part of the government. Observed Lewis: "Some kind of coalition is indicated because no numerous and politically conscious group is willing to be ruled by others."

Lewis levels his attack on the one-party system in particular for its lack of critical coalition features. The single-party systems tend to believe that they cannot build national loyalty unless they deny representation of access to their opponents. Said Lewis: "If the politician's approach to politics is to capture the government in order to benefit one group at the expense of the others, a coalition of all major parties is impossible."³¹ In this context, unity in cross-communal loyalty is highly improbable.

National loyalty cannot immediately supplant tribal loyalty; it has to be built on top of tribal loyalty by creating a system in which all tribes feel that there is room for self-expression.³²

As we have seen, the solution is not the single-party but a coalition and decentralisation.³³ Let us look at these features a bit more.

For Lewis, coalition government holds a key position in any attempt to resolve the underlying problem of polarised zero-sum struggle in culturally plural societies. In response to the observation that the major political parties may not be willing to form a coalition government, Lewis has advocated that a law be enacted requiring the large parties (say with 20% of the votes or more) to coalesce.³⁴ Clearly, in a free and open society, this act of coercion poses many problems. Lewis, therefore, feels that a new attitude towards government in plural societies is required to foster cooperative and coalition dispositions. Leaders must come to see democracy not as a conflictual exclusionary game, but as an institution of sharing. Lewis recognises that this will entail in democratic plural societies "a fundamental change in the political philosophy of those who wield power."³⁵

A final feature of Lewis' model of democracy for reconciling the claims of antagonistic sections in plural societies is decentralisation. Specifically, Lewis was addressing the problem of regional disparity in economic development and the difficulties this posed in designing an acceptable formula to re-distribute national wealth. For Lewis, decentralisation of the state so that regions attain high levels of internal autonomy in self-government solves the problem of the rich subsidizing the poor. Decentralisation also permits each regional or regionally-based ethnic group to decide its own priorities in development and to preserve its own cultural identity. To many Third World nationalists, such a prescription is a threat to national unity. Such decentralisation, it may be argued, encourages ethno-national extremists to secede. But for Lewis, his decentralisation prescription for strong provinces does not necessarily entail a weak central government. A strong centre can be compatible and co-exist with a strong periphery. Federalism, for instance, is good for it recognises and crystallises internal differences. It is the way to promote maximum autonomous regional development. Argues Lewis:

A large country with widely differing regions cannot be government well run from one town which monopolises decision-making. Even if political considerations are excluded, good administration requires decentralisation of decisions to persons on the spot.

All that is asked is a reasonable degree of provincial devolution. Countries with this kind of problem need both a strong centre and strong provincial governments and this is not a contradiction since government functions are so numerous that there is plenty room for both.³⁶

LIJPHART AND LEWIS COMPARED

Lijphart's point of departure in constructing his consociational democracy is very similar to Lewis', that is, the view that the typical Third World socio-cultural environment contains a plurality of separate societies indiscriminately thrown together to co-exist democratically in the same state. Hence communalism is regarded as the most salient feature of the Third World state; from this fact have emerged problems of unity, stability, and legitimacy in a democratic framework. For Lijphart, the fact of multi-ethnic and cultural pluralism, despite the evidence to the contrary, does not inevitably entail the breakdown of democracy. He has emphatically argued against the proposition that "a plural society is incapable of sustaining a democratic government."³⁷ In abandoning the prospect of democracy in plural societies, most analysts argue that domination by one ethnic group was inevitable. Like Lijphart, Lewis showed that this argument was seriously

flawed, based on unwarranted assumptions. Both J.S. Furnivall and M.G. Smith fell into this fallacy that undemocratic ethnic repression was the only alternative available to plural societies.³⁸ Posited Smith:

Cultural diversity or pluralism automatically imposes the structural necessity for domination by one of the cultural sections. It necessitates nondemocratic regulation of group relationships.³⁹

For a long time, this conclusion shared both by Furnivall and Smith not only went unchallenged in the literature, but soon assumed the holy aura of a prescription, if not an outright justification of ethnic domination and all this entailed.

To both Lewis and Lijphart, authoritarian rule did not inevitably attend the condition of cultural pluralism. They attempted to show that it was because of the attachment of Furnivall and Smith to the zero-sum features of Anglo-American democracy that instability and domination appeared inescapable in plural societies. Lijphart proceeded to take apart the assumptions implicit in the domination thesis. In particular, he showed that it was erroneous to assume that national consensus was a pre-requisite for democracy. He attacked the view that democracy and nation-building must "entail the eradication of primordial sub-national attachments and their replacement with national loyalty." Lijphart separated out such well-known authorities as Samuel Huntington who had long advanced the fallacious proposition that modernisation involved "the replacement of a larger number of traditional, religious, family and ethnic political authorities by a single, secular political authority."⁴⁰

Both Lewis and Lijphart would hold Anglo-American democracy culpable for the mistaken correlation between homogeneous societies and democracy or, alternatively, plural societies and democratic breakdown. Lewis and Lijphart offered different structures in place of certain features built into the Anglo-American democratic pattern, such as coalition, proportional representation, and decentralisation. These latter institutions tended to assuage the centrifugal impact of communalism thereby permitting the retention of the essential features of democratic practice.

Lijphart's alternative structures for the Anglo-American variant need separate discussion. Drawing on the cases in the lower countries of Europe, e.g. Belgium and the Netherlands and certain North European countries which exhibit cultural pluralism, Lijphart underlined that these countries were able to sustain a form of democracy without disintegrating. For Lijphart, democracy in plural societies should turn not on mass participation and collective competition among the disparate cultural segments in the state, but essentially on cooperation by the leaders of the different

groups which transcends the segmental and subcultural cleavages at the mass level.”⁴¹

Co-operation among sectional leaders or “government by elite cartel” stands at the centre of Lijphart’s consociational democracy. It is intended to replace the Anglo-American variant in providing both stability and democracy in plural societies. Both Lewis and Lijphart are adamant advocates of inter-ethnic accommodation through coalition building. Both decry the exclusionary implications of zero-sum competition found in the Anglo-American democratic model that was transferred indiscriminately to the culturally fragmented states of the Third World. A coalition arrangement averts democratic instability in deeply divided societies. Said Lijphart:

Because the political stakes are often high in plural societies, it is advisable not to conduct politics as if it were a game; a grand coalition is therefore more appropriate than the government-versus-opposition pattern.⁴²

To Lewis, the coalition system satisfies one of his criteria for democracy: access by all major groups to collective decision-making. For Lewis, as for Lijphart, democracy is fundamentally a sharing institution intended to integrate the citizen into the state and to legitimate state power, not an exclusionary device that alienates many citizens casting doubt on the moral authority of the state. For this reason, both Lewis and Lijphart place coalition-building at the centre of their alternative democratic framework. Said Lijphart:

The primary characteristic of consociational democracy is that the political leader of all significant segments of the plural society cooperate in a grand coalition to govern the country. It may be contrasted with the type of government with bare majority support and a large opposition.⁴³

It may be recalled that Lewis goes so far as to compel all parties with twenty per cent or more of the votes to participate in a coalition. Said Lewis:

... instead of the president sending for the leaders of the largest party to form a cabinet, the rule may tell him to send for the leaders of every party which has received more than 20% of the votes and divide the cabinet seats between them. Law is not without its moral influence ...⁴⁴

What institutional form should the coalition take? While Lewis merely prescribed a sharing of cabinet posts, Lijphart elaborated on various options for sharing power. Apart from his “grand coalition” at the cabinet level, Lijphart advocated such extra-parliamentary possibilities as sharing

strategic parliamentary committees or councils “with formally not much more than advisory function, but with actually often decision-making influence.”⁴⁵ Lijphart also pointed to the greater flexibility in parliamentary systems with collectively responsible cabinets as against the single-headed structure of Presidential systems. He also expressed preference for a symbolic head of state such as a monarch who enjoyed widespread cross-communal respect. Regardless of the institutional variations available, the signal point is sharing of power to permit access to collective decision-making by all major parties. Emphasized Lijphart: “The essential characteristic of the grand coalition is not so much any particular institutional arrangement as the participation by the leaders of all significant segments in governing a plural society.”⁴⁶

If coalition building represents the prototypical structural form of inter-ethnic accommodation among elites, the spirit that underlies it is attitudinal and philosophical. Specifically, the leadership elites in the various cultural segments must not only be predisposed to and appreciate the value in cross-communal cooperation, but must possess personality types which are pragmatic, accommodating and moderate. Lewis, himself, underscored this feature of coalition-building arguing for a “fundamental change in the political philosophy of those who wield power in a plural society.”⁴⁷ Lijphart echoes this view: “It is true in fact, almost tautological – that a moderate attitude and a willingness to compromise are prerequisites for the formation of a grand coalition.”⁴⁸

Unlike Lewis, Lijphart extended his prescription for democratic stability beyond cabinet coalition sharing into a wider spectrum of values subject to proportional apportionment. Called “the principle of proportionality”, it is “a method of allocating civil service appointments and scarce financial resources in the form of government subsidies among the different segments.”⁴⁹ In part, the point of proportionality is to depoliticise a large number “of potentially divisive problems from the decision-making process.”⁵⁰ But that principle apart, proportionality allocates a just part of a value such as jobs to a segment regardless of electoral outcome. It is not clear whether Lewis would support the principle of proportionality when it infringed on merit.

In one other area, Lijphart’s consociational democracy differed from Lewis’. Lijphart postulated a number of conditions which would be conducive to striking the consociational ideal. These were: (a) multiple balance of power; (b) small size of the countries; (c) prior traditions of elite accommodation; (d) segmental isolation; (e) overarching loyalties; and (f) the presence of cross-cutting cleavages. It would be useful to examine

each of these factors; for even in a few of these cases, Lewis made insightful contributions.

(a) *Balance-of-power*: The idea of a balance-of-power among the ethnic segments in a plural society pertains to the presence of a few segments of relatively equal strengths. This tends to facilitate coalition formations that are stable in contrast to bi-polar configurations which appear to possess an inherent confrontational and antagonistic dynamic. Hence, the optimal preference is for three to five parties which are equi-poised. Lewis himself is against the politics of bi-polarity although he did not develop this idea around the intrinsic propensity of mathematical halves to cause intense conflict. Argued Lewis: "But polarisation into Government and Opposition is not an essential part of democracy, and is in fact unsuitable to West African conditions."⁵¹ While several parties are desirable, Lijphart argues against intense fragmentation of parties with its attendant difficulties of attaining agreements among them. Lewis is not for intense fragmentation either and suggests that his recommendation of proportional representation will not create such a circumstance in West Africa: "We have no reason to expect that proportional representation would produce a lot of small parties in West Africa. The 1950s show no tendency to fragmentation. Two, three or four substantial parties are the most probable outcome in West Africa, whatever the electoral system."⁵² Unlike Lewis, Lijphart entered into an elaborate discussion of the mystique of combinations of numbers and their possible impact on behavioural outcomes. For Lewis, the critical idea is to avoid a single-party formation or its alternative, the two-party adversarial system both of which tend to exclude access of minorities to collective decision-making. For Lijphart, it is important to explore what combinations outside the government-and-opposition adversarial system that can optimise representation and reconciliation simultaneously. Both Lewis and Lijphart favor a multiple party system, but Lijphart argues that optimally it should consist of not more than five relatively equal groups for the framework of consociational democracy to work well.

(b) On the role of *small size*, Lijphart and Lewis differ markedly with the former arguing that where the size of plural societies is relatively small, this tends to facilitate consociationalism because (a) smallness may invite external threats which can unify all elites; and (b) elites would not be over-burdened and pre-occupied by large-state international conflicts leaving ample time for attention to be devoted to the internal issue of inter-ethnic accommodation. Small size further facilitates inter-elite interaction and therefore their cooperativeness. For Lewis, the size of the plural society is irrelevant to inter-segmental accommodation.

With regard to (c) *segmental isolation*, Lijphart views the residential and geographical separation of ethnic communities as a positive feature for inter-ethnic amity and coexistence. To attempt to integrate culturally divergent groups prior to the presence of an underlying stratum of understandings is to risk clashes and disagreeable relations.⁵³ Lewis is not against each ethnic segment having its own internal autonomy and party. Said Lewis:

Each group wants to be represented by its own party, and no single party is represented everywhere. As we have already seen, the solution is not a single party, but coalition and federalism. Any idea that one can make different peoples into a nation by suppressing the religious or tribal or regional or other affiliations to which they themselves attach the highest political significance is simply a non-starter. National loyalty cannot immediately supplant tribal loyalty.⁵⁴

Lijphart argues in the same vein, showing that the propensity to form parties around shared ethnicity can be turned into a positive feature that promotes consociationalism:

In plural societies with free elections, the salient social cleavages tend to be translated into party system cleavages; the political parties are likely to be organised political manifestations of all the segments. The presence of such segmental parties is favourable to consociational democracy. They can act as the political representatives of their segments, and they provide a good method of selecting the segmental leaders who will participate in grand coalitions.⁵⁵

Another factor, (d) *the presence of cross-cutting and overarching loyalties*, is numbered among Lijphart's facilitating factors for consociationalism, for in general they tend to moderate attitudes.⁵⁶ The structure of cleavages in a plural society can be complex, i.e. influenced by the number, depth, coinciding and cross-cutting features. In turn, these factors may be moderated by countervailing overarching loyalties and cross-cutting patterns. In the end, it would appear that over-arching and cross-cutting patterns may moderate attitudes, orientations, and actions among cross-communal elites. Like Lijphart, Lewis recognised the positive role of these countervailing crosspressures. Said Lewis: "Each of us belongs to several groups with different interests, and the fact that we are opposed to this man on this issue, but allied to him on the next, prevents our conflicts from running away with our emotions."⁵⁷

There are other critical features which Lijphart had set forth to describe his consociational model. So far, we have looked at (a) grand coalition; and (b) proportionality. We have also looked at several factors to

which Lijphart assigned a facilitating role in forging into existence a consociational democracy. Three other features identified by Lijphart need analysis: (1) the electoral system; (2) segmental autonomy; and (3) mutual veto. We now examine these remaining areas:

(a) *Electoral System*: For both Lijphart and Lewis, the electoral system of proportional representation is ideally suited for democracy in plural societies. For Lijphart, proportional representation enables all significant segments to be represented proportionally in the *decision-making system*.⁵⁸ Lijphart shares Stein Rokkan's view of the salutary role of proportional representation: "The introduction of proportional representation was essentially part of a strategy of national integration - an alternative to monopolisation of influence or civil war". For Lewis, "proportional representation is better than the ... single member constituency ... because it gives more satisfaction to minorities."⁵⁹ Both Lijphart and Lewis, however, favor a particular variant of proportional representation, the single transferable vote, since this system encourages candidates to campaign for votes and seek support "outside their communal segments thereby alleviating parochialism and encouraging moderation in electoral appeals and programmes."⁶⁰

Lijphart goes one step beyond Lewis in advocating the system of proportional representation in accommodating minority interests. He suggests that very small segments be over-represented "to such an extent that they can reach a level of equality with the majority or the largest group."⁶¹ In part, Lijphart intends this compensatory act for states which have substantially unequal segments.

(b) *Segmented Autonomy and Federalism*: In Lijphart's consociational democracy, decentralisation features as one of its critical characteristics. Called "segmental isolation" it argues that in homogeneous societies "mutual contacts between different people and groups foster mutual understanding."⁶² In contrast, such contacts in plural society tend to be divisive. However, since plural societies already tend to be geographically segmented, this is advanced as a favourable condition conducive to consociationalism. Elites are better placed to negotiate inter-segmental accommodation when their people are both behind them and separated from other cultural segments. In Lewis, segmental isolation takes the form of decentralisation either in a federal or unitary system, as pointed out earlier. Lewis prefers each segment to have room to run its own affairs within a larger nationhood.

(c) *Mutual Veto*: In Lijphart's consociational model, one feature recurs that does not appear in Lewis' scheme. In decision-making, Lijphart would bestow on each cultural segment in the coalition government the right to

veto any decision that affects its vital interests. Clearly, this power can create immobilisation in a government which can fall victim, in the case of intransigence, to minority rule.

SOME CRITICISMS OF LEWIS AND LIJPHART

It will be useful to discuss briefly some of the more important criticisms levelled against Lijphart's consociational democracy and its variants such as Lewis' framework for inter-ethnic accommodation. Both Lewis' and Lijphart's models are vulnerable to the charge that they may purchase stability at the expense of a democratic facade. In putting together a grand coalition, it is quite conceivable that no opposition may exist. This very much depends on the structure of the cleavages and the party system that it throws up. Where the cleavage and party system are bifurcated such as in Guyana, Trinidad, Fiji, Malaysia, etc., a coalition could include all parties. In effect, this leaves a one-party system, the very institution against which Lewis railed vehemently. Even if residual small parties were to exist outside the coalition, chances are that they will view the coalition as an exclusionary enemy as is wont in adversarial politics in plural societies.

Hence, the more poignant criticism against the coalition system is that it may itself degenerate into another exclusionary power bloc. There is no reason why the new coalescent elites or parties cannot re-define the rules of the political game so as to exclude all opposition outside their circle. In effect, if Anglo-American democracy with its zero-sum features tends towards winner-takes-all exclusionary politics, there is no reason why a grand coalition of the major parties may not also do the same thing.

In Lijphart's model, there is the further problem of inter-elite secrecy. That is, his consociationalism consists mainly of secret elite negotiation, away from mass involvement and outbidder provocation, so as to resolve problems quietly. The premise for this feature is that mass politics tends to influence ethnic passions which render issues difficult to reconcile. When passions are separated from the pragmatic aspects of issues, they are then conducive to conciliation. Hans Daalder articulated this point well:

To prevent the stagnation brought on by ideological immobilisation, such societies must develop procedures of purposive depoliticisation ... Preferably, matters must be treated in technocratic terms so as to prevent them from catching ideological fire. That can be done most easily by a process of bargaining behind closed doors. Such politics inevitably reduce the importance of elections and even the direct accountability of leaders. Autonomous elite politics therefore presuppose that the electorate on the whole play a passive role as both a condition and a consequence of stable politics in divided societies.⁶³

Elites then require the cushion of secrecy to insulate them from irrational mass demands. While this argument is persuasive within its own concerns, it simultaneously provides a cushion for conspiracy among elites to serve their own class interests. Lewis, unlike Lijphart, did not address the issue of secrecy as the atmosphere for inter-party negotiations. But it is clear that coalition negotiations are unlikely to be private in this system also. The overall salient point is that grand coalitions, with their inevitable built-in propensity for secret negotiations, tend to disengage mass opinion in decision-making thereby casting an undemocratic aura on consociationalism generally. Lijphart's proviso that elites must enjoy the confidence of their respective segments does not provide an alternative to democratic participation and accountability.

Another major criticism of both Lewis' and Lijphart's coalition system is that the high priority it puts on inter-communal peace neglects the real issues and complaints such as regional inequality that cultural segments may have against each other. In fact, Lewis is frank in advocating a coalition system that protects regional economic interests and disparities. Hence, the consociational formula in both Lewis and Lijphart tends to preserve the status quo among cultural communities regardless of grievances against each other. As Kieve pointed out: "The differences between segments setting them apart may not just be cultural. They may be economic such as the exploitation of one group by the next. Hence, consociational democracy does not address real underlying problems, but may institutionalise them".⁶⁴ By implanting the "mutual veto" proviso as part of the system, the Lijphart model guarantees that redress cannot be obtained within the system.

With regard to the decentralisation-segmental isolation feature, consociationalism in both Lewis and Lijphart tends to maintain the cultural groups apart. No attempt is made to bring the cultural segments together, but rather their differences are celebrated as worthy of respect and preservation. While this ethno-nationalistic prescription has its appeals, it cannot be denied that the persistence of cultural pluralism places the state under the perpetual threat of disruption. In other words, the consociational solution in Lewis and Lijphart, to make sense, should only be regarded as short-term stop-gap solutions to instability.⁶⁵ In the long-run, either the state integrates or separates into discrete new entities. The cost, material and emotional, of unending suspicion and fear among segments cannot be worth preserving forever in consociationalism. In any event, all kinds of formula for inter-ethnic accommodation including the long-lasting ones in Lebanon and Belgium eventually collapsed.⁶⁶

SUMMARY AND CONCLUSION

Lewis' proposals were set forth several years before Lijphart's and influenced Lijphart's thinking. Lewis' contribution to Lijphart's widely acclaimed consociational model, as this paper has set out to show, is substantial. Both Lewis and Lijphart set out to solve the problem of democracy in plural societies. Both criticise the unsuitability of the Anglo-American zero-sum variant as the main cause of democratic failure in plural societies. Both authors tread a fine line seeking to reconcile the claims of an open society with the rival claims of security and stability to preserve the state. Some critics feel that the Lewis and Lijphart models succeeded in its purpose, while others feel that democracy was the main casualty. Regardless, there can be little doubt that Lewis and Lijphart are adherents of a democratic order. Throughout his work *Politics in West Africa*, Lewis pivotted his arguments around the priority for human rights in an open democratic multi-party society.

It is remarkable how many of Lewis' accommodation proposals are found, in one form or another, in Lijphart's consociational democracy: coalition; decentralisation; sharing of values, spoils, projects, jobs etc; elimination of the zero-sum contest; use of proportional representation etc. To be sure, Lijphart's model is more detailed and comprehensive, building as it does on the contributions of antecedent authors such as Arthur Lewis who is an economist.

Both Lewis' and Lijphart's proposals have come under scrutiny for their consistency and practicality in simultaneously balancing democracy with stability in deeply divided societies. In the end, many of the features that they recommend tend today to find themselves in the practices of several Third World countries, both democratic and undemocratic. In this context, their proposals must be best understood not as a tight set of prescriptions, but as the general orientation of policies for inter-ethnic accommodation in plural societies.

NOTES

- [1] See Lijphart's "Consociational Democracy", *World Politics* 21, No. 2 (January 1969); "Typologies of Democratic Systems", *Comparative Political Studies*, 1, No. 1 (April 1968); "Cultural Diversity and Theories of Political Integration", *Canadian Journal of Political Science*, IV, No. 2 (March 1971); and *Democracy in Plural Societies* (New Haven: Yale University Press, 1977). Hereafter, all references to Lijphart will be to the latter work
- [2] See Gabriel Almond, "Comparative Political Systems", *Journal of Politics*, 18, No. 3 (August 1956).

- [3] See Cynthia Enloe, *Ethnic Conflict and Political Development* (Boston: Little and Brown, 1973); Crawford Young, *The Politics of Cultural Pluralism* (Madison: University of Wisconsin Press, 1976).
- [4] See Ralph R. Premdas, "Towards a One party System: Some Problems and Prospects", *Australian Outlook*, Vol. 29, No. 2, August 1975.
- [5] Lijphart, *Democracy in Plural Societies*, op. cit., pp. 143-147. .
- [6] W. Arthur Lewis, *Politics in West Africa*, (London: Allen and Unwin, 1965), pp. 49-50.
- [7] *Ibid.*, p. 50.
- [8] *Ibid.*, p. 13.
- [9] *Ibid.*, p. 29.
- [10] *Ibid.*, p. 32.
- [11] *Ibid.*, p. 32-33.
- [12] *Ibid.*, p. 64.
- [13] *Ibid.*, p. 38.
- [14] *Ibid.*, p. 37.
- [15] *Ibid.*
- [16] *Ibid.*, p. 43.
- [17] *Ibid.*
- [18] *Ibid.*
- [19] *Ibid.*, pp. 55-56.
- [20] *Ibid.*, p. 61.
- [21] *Ibid.*, p. 60.
- [22] *Ibid.*, p. 63.
- [23] *Ibid.*, pp. 49-50.
- [24] *Ibid.*, p. 66.
- [25] *Ibid.*, p. 66.
- [26] *Ibid.*, p. 67.
- [27] *Ibid.*, p. 76.
- [28] *Ibid.*, p. 72.
- [29] *Ibid.*, p. 73.
- [30] *Ibid.*
- [31] *Ibid.*, p. 83.
- [32] *Ibid.*, p. 68.
- [33] *Ibid.*
- [34] *Ibid.*, p. 83.
- [35] *Ibid.*, p. 84-85.
- [36] *Ibid.*, p. 51-52. For a discussion of secession and decentralisation, see Ralph R. Premdas and Jeff Steeves, *Decentralisation and Development* (Forum Books, 1984).
- [37] Lijphart, *Democracy in Plural Societies*, p. 18.

- [38] See J.S. Furnivall, *Colonial Policy and Practice* (Cambridge: Cambridge University Press, 1948); M.G. Smith, "Institutional and Political Conditions of pluralism", in *Pluralism in Africa* edited by L. Kuper and M.G. Smith (Berkeley: University of California Press, 1969).
- [39] Smith, *op. cit.*
- [40] See S.P. Huntington, *Political Order in Changing Societies*, (New Haven: Yale University Press, 1968), p. 34.
- [41] Lijphart, p. 16.
- [42] *Ibid.*, p. 25.
- [43] *Ibid.*, p. 32.
- [44] Lewis, *op. cit.*, p. 83.
- [45] Lijphart, *op. cit.*, p. 31.
- [46] Lijphart, *Democracy in Plural Societies*, pp. 30-31.
- [47] Lewis, *op. cit.*, p. 75.
- [48] Lijphart, p. 38.
- [49] *Ibid.*, p. 39.
- [50] *Ibid.*
- [51] Lewis, *op. cit.*, p. 75.
- [52] *Ibid.*, p. 81.
- [53] See Ralph Premdas, "Ethno-Nationalism, Change and Secession, *Oceania*, July, 1976
- [54] Lewis, *op. cit.*, p. 68.
- [55] Lijphart, *Democracy in Plural Societies*, p. 61.
- [56] *Ibid.*, p. 81.
- [57] Lewis, *op. cit.*, p. 38.
- [58] Lijphart, *Democracy in Plural Societies*, p. 39.
- [59] Lewis, *op. cit.*, p. 72.
- [60] Lijphart, *Democracy in Plural Societies*, p. 38.
- [61] Lijphart, *Democracy in Plural Societies*, p. 41.
- [62] *Ibid.*, p. 86.
- [63] Hans Daalder, "The Consociational Theme", *World Politics*, July 1974, pp. 607-608.
- [64] R.A. Kieve, "Pillars of Sand: A Marxist Critique of Consociational Democracy" in *Comparative Politics*, Vol. 13, No. 3, April 1981, p. 322.
- [65] See Ralph Premdas, "Ethnic Conflict Management", in *Politics in Fiji* edited by B. Lal (Sydney: Allen and Unwin), pp. 107-138.
- [66] For criticisms of the consociational model, see also, Brian Barry, "The Consociational Model and its Dangers", *European Journal of Political Research*, 3, No. 4, (December 1975); Ralph R. Premdas, "The Politics of Preference in the Caribbean: The Case of Guyana", in *Ethnic Preference and Public Policy in Developing States* edited by N. Nevitte and C.H. Kennedy (Boulder Colorado: Lynne Rienner Publishers, 1986), pp. 155-188.

VI

ARTHUR LEWIS AND THE MOYNE COMMISSION

John Gaffar LaGuerre

INTRODUCTION

By warrant of the 5th August 1938, the Moyne Commission was appointed "to investigate social and economic conditions in Barbados, British Guiana, British Honduras, Jamaica, the Leeward Islands, Trinidad and Tobago and the Windward Islands, and matters connected therewith, and to make recommendations". It was undoubtedly one of the most important commissions to visit the West Indies. Previous commissions were concerned with limited topics like the sugar industry, unemployment or some rebellion. With the appointment of the Moyne Commission, every aspect of West Indian life came under scrutiny. The Commission covered some 9,000 miles, took evidence at 26 centres, heard evidence from 370 witnesses or groups and considered 789 memoranda. It also felt bound to investigate questions such as housing, agriculture, hospitals, schools, prisons, factories, docks, lunatic asylums, orphanages, leper houses, and lands settlements. It was thus the most comprehensive enquiry to date on West Indian societies. It is not surprising then that the West Indian intelligentsia of the time should use its visit as the occasion on which to launch its most sustained critiques of West Indian societies, their bases, functioning and prospects. In this respect, the response of the West Indian intelligentsia to the Moyne Commission constitutes one of the most comprehensive critiques of colonial rule.

It is the aim of this paper to concentrate on the reactions of one such intellectual - perhaps the West Indies most renowned intellectual to date. What is striking is that however trenchant his criticisms of colonial rule, Arthur Lewis remained within the mainstream of English radicalism. His was a critic of the system within the system. He accepted most of the basic premises of that system. His immersion in Fabian socialist circles also ensured that his various analyses and prescriptions would aim at reform rather than at basic reconstruction of the social and political order. In this respect, Lewis represents a phase in the intellectual development of the Caribbean.

Lewis had read for a Bachelor's Degree in Commerce at the London School of Economics (LSE) and upon completion of his Degree, had been appointed an Assistant Lecturer at the LSE. He was also a member of the Fabian society and was very much involved with its colonial bureau. This brought him into contact with some of the leading members of the Left as well as some influential forces on colonial policy. Lewis was well received in British intellectual circles. As he himself wrote:

In 1938 I was given a one-year teaching appointment which was sensational for British universities. This was converted into the usual four-year contract for an Assistant Lecturer in 1939. My foot was now on the ladder, and the rest was up to me. My luck held, and I rose rapidly. In 1948, at 33, I was made full professor at the University of Manchester.¹

His memorandum to the Moyne Commission accordingly represented some fairly influential views. The purpose of his memorandum, in his own words, was "to analyze some of the main issues relevant to social welfare in the British West Indies, and to suggest steps likely to increase the material and cultural well-being of the masses of the population."²

In the memorandum, Lewis started with a concern with 'poverty' and its causes in the Caribbean. As a Fabian socialist it was a natural concern, but as an economist, he saw the problem partly in terms of prices, and the extent to which the British public was prepared to subsidise a higher price for sugar. The case for such a claim, according to Lewis, derived naturally from colonial rule. He wrote

It is the British who by their action in past centuries are responsible for the presence in these islands of the majority of their inhabitants. If the islands were under French or American control ... they would have enjoyed highly protective systems that would put to shame the poverty of the British possessions.

Nor was the option of migration any longer possible. It was because of these considerations, he argued, that West Indians plead for "special treatment in British markets."

In resting the case for protection on the morality of the metropolitan-colonial relationship Lewis was of course invoking the time-honoured doctrine of trusteeship.

The colonial intelligentsia, it would appear, preferred to give their rulers the benefit of the doubt. Yet one cannot doubt that the vast majority of the elites - especially in the more assimilated of the colonies - were genuinely convinced of the superiority of British institutions. It was they

who insisted on parliamentary government, universal adult suffrage, British systems of education, an independent judiciary and the importation of things British. It is not that some of these were not without merit; it was the unquestioned nature of their beliefs which leads to the conclusion that even the radical intelligentsia believed in trusteeship.

Thus, trusteeship was itself not a preconceived doctrine but a series of compromises and reactions in British colonial policy that was later elaborated and refined to a philosophy of government. Yet, trusteeship in the end could not reconcile the basic contradiction that inhered in colonial rule. At some time conflicts between colonial and metropolitan interests were bound to occur – a situation for which the doctrine had no answer.

For Lewis however, preferential treatment was only a temporary solution since, in any case, self-government of the colonies was the ultimate objective of colonial policy. What was needed in the long run, he argued, was the implementation of the recommendation of the Sugar Commission of 1930. He also recommended an end to monopolies in the region and a turning towards the American market “a natural outlet for West Indian products.” He also recommended fruit-growing, cultivating of foodstuffs and greater concentration on the home market. And yet, Lewis felt that these were only temporary solutions and that the future lay in industrialisation. He wrote:

But despite this it is difficult to feel much confidence in the future of agriculture, and it seems necessary for these islands to seek other means of livelihood. The tourist trade, which needs much more initiative than [sic] it has yet received, offers some prospects, but seems unlikely ever to become a principal source of revenue. The policy which seems to offer most hope of permanent success is for these islands to follow in the footsteps of other agricultural countries in industrialising.

LEWIS AND INDUSTRIALISATION

In this respect at least, there was a fundamental difference in prescription between Lewis and the Moyne Commission. According to the Commissioners, the great majority of the population were engaged in agriculture; and also only in Trinidad and British Guiana were mineral resources of any importance to be found. And yet, they argued, the oil companies in Trinidad employ “less than 15,000 operatives in a population of over 450,000 persons”, whilst in British Guiana it was claimed that the Bauxite industry employed about 1,300 people. From the point of view of employment then, oil and bauxite offered little hope. There was little point then in pursuing a

policy of industrialisation. For them there were two basic industries in the West Indies. Into one category fell industries like power stations, printing works, ice factories which by their very nature, were limited to the localities of consumption. The other was concerned with the 'processing' of agricultural commodities. Since sugar fell into the second category, there was little hope for increased employment in the sugar industry.

The Commissioners found that particularly in those islands of the Caribbean where unemployment was most acute, most of the proposals for industrialisation were in fact designed to improve the prices of agricultural products. They did recognise, however, that the early phase of industrialisation would entail some means of protection; and even if as in the case of the proposal for a cement factory in Jamaica, and the contribution to employment might be small, it might still serve an 'educative' purpose. Generally, however, they tended to regard "it as undesirable that governments in the West Indies should either conduct or finance speculative industrial enterprises". In short, the Commissioners were not very enthusiastic over the prospect of industrialisation in the West Indies. In a comment that bears quotation, it became clear that they felt that a supporting culture for industrialisation did not exist, except perhaps in two cases. They wrote:

Lacking mineral resources, it is hardly to be expected that small communities, living in considerable isolation from the outside world, and with climates and traditions that are perhaps incongenial to regular industrial life, would have developed manufacturing industries on an important scale.

That the West Indies lacked the culture that necessarily supported industrial life at the time, there can be no doubt. Such 'industrialisation'; as there was confined to a very few areas in the various capitals and around the sugar factories in the various islands.

For Lewis, on the other hand, industrialisation offered the only hope. He wrote confidently: "The policy which seems to offer most hope of permanent success is for these islands to follow in the footsteps of other agricultural countries in industrialising."³

For Lewis then, industrialisation was the only policy by which the Caribbean could escape its dependence on agriculture. In this respect, there was a fundamental difference between Colonial Office policy-makers and the perspective of Lewis. Omsby-Gore in 1929 elaborated a view that was typical of official opinion. He held:

I do not think there are many industrial developments either immediately taking place or likely to take place in the vast bulk of our colonial Empire. Looking to the future, practically nowhere is there coal or

iron to be found ... and you are dealing with peoples and with financial conditions which are not likely to lend themselves to factory production. The whole emphasis is likely to be on forest, animal and agricultural development.⁴

This difference in perspective as regards the industrialisation of the Caribbean raised, of course, one of the more fundamental issues involved in the doctrine of trusteeship. It was obvious that the policy of industrialisation of the Caribbean, as with any colony, for that matter, would necessarily involve a choice between service to either metropolitan or colonial interests. It is not surprising that Lewis should come down on the side of colonial interests. The Colonial Office-type policy of industrialisation would have still protected metropolitan interests. Lewis' model, on the other hand, was aimed at transforming the Caribbean from agricultural to industrial communities.

And yet, Fabian socialist though he were, Lewis did not consider what precisely the role of the state should have been in the transformation from agriculture to industry. It was a view that was further refined in the elaboration of his memorandum published by the Fabian Society under the title *Labour in the West Indies, the Birth of a Workers' Movement*. In this revised work he conceded that the industries would first have to be subsidised until such time as a labour force had been trained and the local market established. It is of interest to the historian of economic thought that it was precisely on these grounds that Lewis' famous policy of "industrialisation by invitation" was argued. The only difference between the two positions was that in the latter work Lewis envisaged a partnership between the state and foreign capital. More precisely, foreign capital would use the 'unlimited supplies of labour' available to increase the national income. Lewis has been criticised on a number of grounds. (For a restatement of these positions see Craig, *Labour in the West Indies*). What is significant however, is that Lewis's difference from the Commission was one of emphasis rather than of perspective.

LEWIS AND THE DISTRIBUTION OF WEALTH

The second area of concern to Lewis was the distribution of wealth and land. According to him, slavery ensured that the major areas of cultivation would be concentrated in the hands of a few, giving them a land monopoly with far-reaching consequences. Bound together by racial ties, he argued, they combined to fix wages, and charge inequitable rents. The plantation also carried with it the memory of serfdom thus 'depriving the labourer of that sense of dignity and independence which would be his in a society in which property was more widely diffused'.

This concentration of economic power gave the planters, according to Lewis, “a power which they have never felt it necessary to use in the interest of the rest of the population”. It was this combination of racial prejudice and political and economic power which aggravated “the evils which would in any case derive from a maldistribution of wealth.” Lewis wrote:

Over-concentration of wealth is bad in any community; in a society where race is a complicating factor, it is catastrophic. What we find in the West Indies, is, broadly speaking, a small white oligarchy which, through its ownership of the land is able to dominate the community in church, society and state; and oligarchy jealous, as every such minority is jealous, of white prestige and privilege, and determined to maintain its ascendancy. There is no racial legislation as in South Africa, nor is there any very open antagonism and yet the coloured population is perfectly conscious of the efforts of the white minority to ‘keep the nigger in his place.’⁵

Coming from a Fabian Socialist this was a serious indictment of colonial policy. Lewis did realise that racial problems did not only arise from the operation of laws as in South Africa. Racial prejudice could also operate through social clubs, official social functions, in church and by the practice of ‘the reservation of certain appointments, both by the state and by private concerns, for white men’.

What made the racial bar even more onerous to bear was the fact that all outlets were closed. “Today”, he wrote, “all of these outlets are closed. There is no crop through which the peasant can grow rich as he did on cocoa; educational facilities have ceased to expand, and emigration has virtually ceased”.

It is this preoccupation with the race factor that emphasises one of the basic dilemmas of the West Indian intellectual. Like other intellectuals, Lewis shared a common commitment to the universal norms of intellectuals. He also belonged to the influential Colonial Bureau of the Fabian Society. The Society itself comprised retired colonial civil servants, and included such names as Sidney Webb, Olivier and Sir Stafford Cripps. The Fabians were also quite influential on organisations such as IASB (international Africa Service Bureau), the League of Coloured Peoples, an organisation in which Lewis was particular involved. What was significant about this analysis was that it retreated from the cardinal tool of the Fabians, namely class analysis. It is accordingly not surprising that Lewis would also be drawn to the issue of race and its implications for social and political life in the Caribbean. And yet in one major respect he was in agreement with the commissioners. They however felt that there was a natural tendency to interpret clashes of economic interests in terms of race. They wrote:

Where people of one colour are predominant among employers and the workers are found almost wholly from those of another colour, it is perhaps inevitable in times of labour troubles that racial and economic issues should be confused.

Conceding that the evidence pointed to increasing colour prejudice they recommended that Governors should try to break down old barriers and to bring about some basic reforms in the executive. They argued, too, that the population showed a wide racial heterogeneity and that degree of wealth and colour did not necessarily go together.

Thus, both Lewis and the Commissioners agreed that the concentration of wealth on the one side and poverty on the other, and their coincidence with racial categories, naturally impelled the observed to confuse racial and economic issues. For both then, class and race went together – the whites constituting a ruling class, the blacks the labouring class. The question that needed to be answered was why the focus on the racial aspects of the question. In other words, why did the labouring classes and their spokesmen concentrate on the racial issue. For one thing, class was an abstract category invented by the researchers and comprising a number of statistical devices. It imposed an order on the data that perhaps did not exist. Race, on the other hand, was a reality with which people in the Caribbean were familiar. It was used at different times to justify colonial rule. The justifications for such rule of course varied over periods of time but a persistent item was the inferiority of the subject races. Africa was portrayed as a land without civilisation and culture and the objective of colonial rule as a ‘mission civilatrice’. Special qualities were attributed to races. Even Olivier, sympathiser though he was towards colonial causes, held that ‘the animal impulses of African mankind are ... less disciplined than those of the well-bred white man’. Add to these factors the practice of assembling census data on a racial basis and one can understand why people in the Caribbean perceived one another in terms of racial categories rather than as individuals. It is also the most visible and felt experience in the Caribbean. It is not surprising that its existence and influence on Caribbean societies has generated so much debate around the theme of the plural society.⁶

THE PEASANTRY AND LAND

The other issue to which Lewis devoted attention was of course the question of land. For him, the way land was distributed was the best safeguard “of stability, independence and freedom.” The ideal as expressed by Armitage-Smith for the islands was very much his own recommendation to the Commission. Armitage-Smith had written in his report:

A numerous, prosperous, happy and healthy peasant population, protected against plague, pestilence, and famine; living in decent dwellings on holdings which as the result of their own labour, wisely directed by government, became their own property in their own lifetime; *adscripti glebae* not by any harsh constraining law, but by the operation of their own unfettered choice, cherishing the land which offers to them generous nourishment and enriching the Commonwealth by the fruit of their labours.

What was striking about this view is the extent to which it extolled the virtues of small property. It was almost lyrical in its praise of the peasantry. De Tocqueville too had argued in the case of America that the wide diffusion of property would be the best guarantee of the survival of democracy. Yet Lewis was not only concerned with the social advantages of such a measure but with its economic benefits as well. He argued that the increased production of food and cattle would reduce the effect of “cyclical fluctuations” to which presumably sugar was prone. In the second place, there was the question of the relative efficiency of peasant as against plantation agriculture. According to Lewis, once the peasant was provided with advisers, cooperative credit societies and instruction, there was no reason why he could not be as efficient as the planter; and there was finally the ratio of land to labour which determined the extent to which a peasant policy could be carried. In countries like Barbados, it was argued, with severe over-population, it would be unwise to push peasant agriculture. The logical consequence of a commitment to peasant agriculture for him was a policy of dismemberment of the plantations and their distribution for peasant settlement.

It should be recalled that Lewis was also a pioneer scholar on the peasantry and had earlier advocated peasant production on a cooperative basis.⁷ But cooperativism was also a major item on the agenda of Fabian socialism. In this respect the Fabians were very British. Indeed, for much of its early history the Fabians were very much a part of the British Labour party. It was not surprising then, that Lewis would refer to himself as a Social Democrat. The Fabians were also very much influenced by the Owenite experiment with cooperative socialism.

Peasant, as opposed to estate agriculture, quite naturally raised questions of land ownership and use. It is not surprising that the Moyne Commission should envisage that it would become increasingly an issue in social policy. They found that peasants did want to own land but that some degree of absentee ownership was part of the problem. They wrote: “The social and agricultural future of these territories is dependent to a large degree upon a wise exercise of the influence of landowners, and the lack of

interest which some of them display is much to be regretted.”⁸ They noted that occupiers of holdings of between 1-5 acres with appropriate education and guidance could be the foundation of an improved system of peasant agriculture. Although they recognised some of the weaknesses such as poor husbandry, shifting cultivation, poor land, lack of marketing facilities, they believed that there were some who deserved encouragement.

By contrast with peasant agriculture they found that the equipment and technical management of the sugar estates were good, with a reasonable level of productivity. In the case of those not so favoured however, they argued that they should be made to realise that their inefficiency did not only affect their interests. They should encourage small holders in every possible way with benefit to themselves - a policy which should be “to secure for their own work an adequate supply of labour drawn from contented people.”⁹ For them, then, peasant agriculture could be a very useful complement to the estate.

There was thus no basic difference in the positions of Lewis and those of the Commission on the benefits of peasant agriculture. This agreement was understandable. For the Fabians, a contented peasantry of small property holders was a vision they cherished. For them, there was no inherent contradiction between labour and capital, irrespective of whether the capital rested in private hands or in those of the state. What counted was the social relationship between labour and capital. For them, as for Lewis, ‘contented labour’ was no contradiction in terms. They both rejected the basic Marxist tenets on the tendency towards ‘the increasing immiserization of the proletariat.’

In a similar respect, there was a great deal of coincidence of positions in the way they viewed the problems of taxation and industrial relations. Lewis noted that customs duties provided about half the revenue, that the contribution of direct taxation was small, and that income tax, death duties and land taxes were minimal. This derived from the political influence of the wealthier classes. He accordingly recommended a ‘reduction of duties on food and clothing and an increase in direct taxation. In the case of industrial legislation he noted that employers did combine to fix wages and that although there was machinery to fix wages, the Boards were in fact dominated by the planter class. He thus recommended the British Agriculture Wages Act of 1924, the distinguishing feature of which was the provision for equal representation of both sides and independent members. Trade Unions were also hampered in peaceful picketing by the fact that the protection conferred by the Act of 1906 was withheld. So far as the Workmen’s Compensation Ordinance was concerned, it was specifically

designed to exclude the bulk of labour, namely agricultural labour. In any case, the compensation awarded was pitifully small.

The Moyne Commission argued that in a context of surplus labour the West Indian labourer was at a disadvantage. He was devoid of the protection of trade unionism. To them the right to refuse wages and conditions of employment was long recognised. They wrote:

Whether the refusal is an individual one or concerted, does not disturb the principles for generations the right to strike has been possessed by trade unionists in democratic countries and has been admitted by these governments. Any restriction of this liberty of action fetters the workman in his dealings with the employer and is tantamount to industrial servitude. Little purpose can, however, be served by conceding this strike and at the same time removing all possibility of its effective use by making a union liable for loss or damage caused to employers as the consequence of a strike.¹⁰

As regards taxation, the Commissioners recommended an overhaul of the system of taxation in the Caribbean to bring it in line with practice in the United Kingdom, especially as regards standardisation of the Income Tax, the level of taxation and liability of all income to tax. They also recommended that there should be no further increase in the level of indirect taxation falling on the necessities of life.

In short, then, both Lewis and the Commissioners agreed that in the capital/labour relationship, labour was at a distinct advantage. They both agreed as well on the issue of taxation and where the burden should lie. For both, democratic advances elsewhere made it imperative that the right to strike and peaceful picketing should be extended to West Indian workers. It could hardly have been otherwise. Both the Fabians and the Labour Party were committed to the extension of rights to workers. In this sense, Lewis and the Commission shared some very basic assumptions.

LEWIS AND CONSTITUTIONAL REFORM

It was on this issue of government and constitutional forms that significant differences between Lewis and the Commissioners were to appear. For Lewis, economic measures were only half of the required solutions. "It is", he wrote, "even more important to provide the political machinery capable of executing them."¹¹

According to Lewis, the constitutions on which Crown Colony Government rested was based on the assumption that the Governor had complete freedom, with the consent of the Colonial Office, to enact any policy he saw fit. Such coloured men as were appointed to the Executive

Council, though of high public spirit, were men who had lost public confidence. In fact, argued Lewis, the real levers of power rested in the hands of the planters. He wrote:

There is a widespread impression that the Governor and his officials are little more than the tools of a white oligarchy of planters, merchants and bankers, in whose society they spend most of their time, and whose will it is that really governs the islands; indeed, that the policy of the Government is the policy of the local club decided on, perhaps, over a round of golf or a whisky and soda.¹²

This is why, argued Lewis, the opinions of the elected members were so often overruled. It was the reason too, that land settlement although highly recommended by official writers had so little impact. Indeed, argued Lewis, the major reforms which have been advanced – land settlement, proposals for industrialisation, workmen’s compensation ordinances, proposals for cooperative marketing and reform of the tax structures. Warning the Commissioners that unconstitutional mass pressure was forcing through some measure of reform he held that ‘the alternative before the Government is to provide in these islands the constitutional machinery which will make unnecessary, a resort to violence’. The only solution, argued Lewis, was to extend the franchise, remove the income and property qualification for membership of the legislature and to give “the elected members a real control over policy’. Lewis did not of course reflect on the implications of his proposal for handing over ‘real control over policy’ to elected members. That would have come close to self-government, an item that was yet hardly on the agenda. The Moyne Commission on the other hand, was only asked to enquire into the ‘social and economic conditions of seven colonies’ and ‘matters connected therewith’. They felt however that there was a widespread sentiment that people should have a greater share in the management of their affairs. The Commissioners encountered two major views – one complete self-government under a universal franchise, the other the conversion of the Governor into an autocrat. They noted that independence was incompatible with the reality of Imperial control; nor was it possible to reduce the elected element. What was important was to give elected members an opportunity to influence policy, possibly by bringing in a few into the Executive Council. Indeed, the Executive Council should try to represent all sections of the community, including labour. A committee system they felt should be introduced into the larger councils with a view to providing members with an insight into administration. For them, the basic thrust of constitutional reform should be towards making the Legislative Councils more fully representative of important sections of the community. The time for self-government was yet to come.

With the benefit of hindsight, we can now appreciate that the Moyne Commission was right, that a long process of education on its benefits would be needed.

The more fundamental difference between Lewis and the Commissioners rested on the issue of self-government. The latter quite understandably recognised that 'real control' by elected members in fact meant an end to colonial rule. That they did not envisage. Even Olivier did not think that Jamaica was ready for self-government. For the issue of self-government raised the question of the future of Empire. The Fabian socialists, socialist though they were, shared many of the assumptions of the ruling class. One cardinal such assumption was the view that there should be gradual approach to self-government. There was also the view that colonies should be fit to rule themselves. Yet many believed that the British intended to hold on for as long as they could. There is some truth that there was reluctance on the part of the British to move out of the colonies. After all, at some periods they made a profit from them; they were sometimes needed for strategic purposes or as a source of raw materials or as a source of recruits for their armies. But as Plamenatz pointed out years ago, national pride and the strength of special interests made it difficult for them to abandon colonies as quickly as they might have wanted.¹³ They were also concerned that the habits of freedom, parliamentary democracy and that an independent judiciary would not be in jeopardy once they left. But above all, there was the policy to which both socialist and conservative subscribed, namely that self-government would be granted only when the standards of good government had been fairly established.

In a more fundamental way, he disagreed with both Lewis and the Moyne Commissioners. British socialists, he argued, were fixated with land ownership and the cooperative principle. Yet, he asked, was there reason to believe that peasant farmers would do better than plantation owners?

For Lewis, the most important problems confronting the Caribbean at the time had to do with prices of their staple products, the maldistribution of property, the burden of taxation and the absence of adequate constitutional machinery. His prescriptions called for preferential treatment, loans and grants for development purposes and an end to monopolies, a trade agreement with the United States, land settlement and an independent peasantry.

For the Moyne Commission the problems of the Caribbean were essentially those of an agrarian economy that was ill-equipped to handle the problems of rising expectations. The new economic policy should accordingly be an agricultural policy geared towards production for local con-

sumption. The main responsibility for food production should rest on peasant agriculture and the estates. There should also be a massive injection of capital on social services and development to be established and undertaken by a West Indian welfare fund. They also recommended more liberal laws towards unions, an increase in sugar production side by side with a similar increase in the production of foodstuffs for local consumption. They were not enthusiastic over non-agricultural industries and advised against West Indian governments participating in "speculative industrial enterprises." They were not keen on federation, universal adult suffrage or self-government.

The crux of the differences between Lewis and the Commissioners, therefore, hinged on future economic policy for the Caribbean. The latter almost accepted as inevitable that the West Indies lacking generally mineral resources, would be in the foreseeable future, agricultural producers. For Lewis on the other hand, the best economic policy for the Caribbean at the time was to try to escape from that vicious circle as other agricultural communities had done. He recognised however, that to do so required that the elected representatives of the people had to have real control. Hence his emphasis on the political machinery.

Lewis and the Moyne Commissions did share a number of positions. They had very little to do with Marxist notions of class. They derived instead from a common exposure and socialization into a common intellectual culture. This is why Lewis could defend himself against the charge that such a term referred to "a black man who can hold his own in competition with white people on their own ground."¹⁴

Lewis belonged to an intellectual class from the Caribbean that necessarily had to work within the assumptions and framework of colonial rule. By and large that class accepted the basic premises surrounding the concept of 'fitness to rule'.

Lewis was part and parcel of the generation of nationalist intellectuals that included Williams, Dr Harold Moody, Hugh Wooding, Norman Manley and Grantley Adams. They were all for one reason or another critical of colonialism and for that reason were naturally attracted either to the Labour Party or the Fabian Society. It was natural too, given the tendency to view the metropolitan world as superior for them to accept some of the arguments and premises of colonial rule. They also shared common intellectual traditions given the structure of the educational systems in the colonies. To that extent they were integrated intellectuals. But because they were so much involved in that system, they were able to see its defects at first hand. They were also as equipped as any to challenge that system and to articulate

the aspirations of Caribbean peoples. To sneer at them for their middle-class origins or to belittle their contribution to the intellectual development of the Caribbean, is to misunderstand their place and time. The debates during these terminal stages of colonial rule involved one set of questions. The post-independence debates were about another set of questions – questions it should be noted, which are still on the agenda today.

NOTES

- [1] See W. Arthur Lewis “Autobiographical Note”, Special Issue *SES*, Vol. 29, November 4, December 1980, pp. 1–4.
- [2] See Memo by W. Arthur Lewis in Minutes of Moyne Commission, “Memorandum on Social Welfare in the British West Indies”, Serial No. 45.
- [3] Lewis, *op. cit.*, Memo No. 45.
- [4] Quoted in T. Farrell, “Arthur Lewis and the Case for Caribbean Industrialisation”.
- [5] Lewis, *op. cit.*, Memo No. 45.
- [6] For a recent survey of some aspects of that debate see Bishnu Ragoonath, “Race and Class in Caribbean Politics” in *Plural Societies*, Vol. XVIII, No. 1, July 1988, pp. 71–101.
- [7] See Bernal, Witter, Figueroa, “Caribbean Economic Thought: The Critical Tradition”, *SES*, Vol 33, No. 2, June 1984.
- [8] Moyne Commission, p. 42.
- [9] Moyne Commission, p. 47.
- [10] Moyne Commission, p. 198.
- [11] Lewis, *op. cit.*, Memo No. 45.
- [12] Lewis, *op. cit.*, Memo No. 45, p. 14.
- [13] See Plamenatz, *On Alien Rule and Self-Government*.
- [14] Quoted in Craig, p. 74.

VII

ARTHUR LEWIS AND THE DEVELOPMENT OF MIDDLE CLASS IDEOLOGY

Percy C. Hintzen

The world view of Sir Arthur Lewis represented that of the middle class. For him, the ideal toward which LDCs should strive falls within the middle class archetype of Rostow's "high mass consumption" society. He also concurs with Rostow (1960) and conservative development economists that the means of realizing such an ideal is by raising the levels of domestic investment. The burden of doing so rests squarely with the state through the formulation and implementation of appropriate policies.

In his initial formulations, he considered LDCs (and specifically those in the West Indies) to be constrained by a lack of mineral resources, technology, capital, and skills. To overcome such constraints, he proposed the importation of these factors of production through a programme of state directed foreign direct investment (Lewis 1949). These proposals have been the object of considerable confusion over Lewis' commitment to a nationalist agenda. Because of them his anti-imperialist credentials have been under attack, particularly by those who saw underdevelopment as the end product of exploitation by the very international capital that he seemed to be offering as a panacea.¹ It is my argument that nationalism derives its importance from its contribution to the corpus of ideas which inform the organization of institutions that serve middle class interests. Nationalism, per se, performs mobilizing and legitimizing functions. It mobilizes the population against colonial domination and it legitimates the political power of the domestic elites. While it is important to see Lewis' nationalism in this light, ultimately, the task at hand is to show the congruence of his ideas with middle class interests.

It is at this juncture that his commitment to a mass consumption society becomes meaningful. Such a society was well on its way to being erected in the metropole while his theory of development was being formulated. The new societal order was being created out of a "social democratic alliance" between capitalists and workers.² It was formulated and legitimized by middle class intellectuals. The alliance (manifest in the

welfarist reformulations of both capitalism and socialism) was creating conditions for the upward mobility of members of the proletarian working class and for the expansion and strengthening of the middle class professionals and bureaucrats of the welfare state. The latter became the administrators and major beneficiaries of the reorganized structural order. It was these middle class functionaries, professionals, and intellectuals who were the contemporaries of the burgeoning middle class in the LDCs. Thus, the influence of the very class interests that Lewis represented was being vastly expanded in the statist reorganization of metropolitan society.

The mass consumption society demanded tremendous increases in income for the upwardly mobile lower class and the diversion of this income into consumption and away from savings and investment. It also demanded statist intervention to ensure more equitable distribution of wealth. This was the function of the welfare state. It presupposed the existence of a consumer goods industry.

The focus of Lewis' inquiry was on the non-emergence of mass consumption societies in LDCs. The explanation for this, which came to him while "walking down the road in Bangkok" (Lewis 1980:4) had to do with the presence in these societies of "an unlimited supply of labour." This produces conditions which either depresses prices or sustains high rates of profits and savings. Whether it does one or the other depends on production functions. Under colonialism, the latter resulted in low commodity prices (hence low rates of profits) causing development to be constrained. In other words, it was a "supply side" problem.

Under conditions of an unlimited supply of labour, there is "a dual (national or world) economy where one part is a reservoir of cheap labour for the other" (Lewis 1980: 4. See also Lewis 1954). The rate of profits and savings can be increased by the absorption of this reservoir from the subsistence sector into an industrialized capitalist sector. This is what Lewis saw as occurring in Britain during the fifty years of its industrial revolution (Lewis 1980: 45). His intellectual role, as he saw it, was the formulation of developmental strategies for ensuring a similar transfer of labour in LDCs. His administrative role was to formulate policy and inform legislation to do so.

Lewis was clearly anti-colonialist, despite the criticisms of his detractors. He considered the dual economy that typified colonialism to be detrimental to the necessary process of absorption of surplus labour into the capitalist sector. He argued that this was against the interests of foreign capitalists. The consequent increases in the productivity of the subsistence sector that would result was anathema to these capitalists because of their

dependence on the unlimited supplies of labour. They therefore had an incentive to prolong the dual economy. The existing state of affairs was beneficial to them only because the markets for colonial products existed outside the colonies. Naturally, therefore, under colonialism, imported capital would be confined to the production of traded goods (Worrell 1980: 31). The alternative, production for domestic consumption, would displace subsistence production, absorb the labour reservoir, and increase prices and wages at the expense of profits and savings.

The colonial system was therefore a direct impediment to development in Lewis' formulation. Its role was to maintain a strict division of labour to ensure the supply of cheap raw agricultural and mineral resources to the center and the protection of metropolitan industry. Thus, any development of domestic industry had the potential of threatening industrial production in the center. It was on the very issue of the development of export industry in the West Indies that Lewis challenged British colonial policy. The debate over the nature and role of industrialization in the West Indies that ensued from this challenge led to his seminal work on industrialization in the West Indies (see Lewis 1949).³

Whatever its technical merit, it was clear that Lewis' propositions were directed at breaking the colonial hold upon the economies of LDCs. If this were to be achieved, the state, freed from the fetters of colonialism, had to play a proactive role. So too had international organizations. To do so effectively, both had to be controlled and directed by "development scholars."

Lewis' support for export promotion, as opposed to import substitution typical of the nationalist formulations of the time, had to do with economies of scale. Small economies such as those of the West Indies had to tackle the problem of the loss of markets once the colonial hold was broken. Lewis argued that development could be realized under such conditions through the comparative advantage derived from the exploitation of the large supply of cheap labour. The constraints of small markets and low market demand could be overcome by "the export of labour intensive manufactured goods to metropolitan markets" (Farrell 1980: 53. See also Lewis 1949).

Lewis' commitment to a statist solution to the problems of development was unequivocal. It was clear that, in his formulations, capital investments were to be directed by a very active government employing fiscal incentives and other forms of assistance to attract and support industries that would absorb surplus labour. In this endeavour, Lewis saw it as "quite feasible for the government to start and run" the industry (Lewis

1949). In other words, state capitalism was quite a reasonable strategy to be pursued in the initial phases of development.

One of his most profound concerns was with the lack of middle class skills as a critical development bottleneck. For example, in later formulations of his policy proposals he began to emphasize export marketing skills as the critical resource constraint upon development. In what constituted a rejection of his earlier proposition of capital shortage, he argued that the West Indies “can raise all the capital it needs from its own resources” (Lewis 1949: 53). Such a reformulation underscored his firm nationalist commitment. Foreign participation was to be confined to those areas where it was absolutely necessary. At the same time, nationals should ensure their own exclusive participation in the most developmentally strategic areas of economic activity. In this regard, he saw the possibility that marketing skills could be “detached from the total direct investment package of (international) capital” (Farrell 1980: 59). The point, of course, is that in such a formulation, the directors, controllers, and beneficiaries of capitalist development were to be the LDCs themselves, even with the participation of international capital.

Lewis’ ideas on the politics and economics of Africa provide a comprehensive picture of his class biases and of the institutional structures he had in mind to assure developmental transformation. He saw tribal and religious identity in Africa as problematic, tension producing, and not amenable to democratic solutions. Democracy required transformation to forms of class societies typical of metropolitan countries. In the absence of such forms, “governing coalitions” consisting of all major parties (Lewis 1965: 64-66) and based on the principle of proportional representation were necessary in plural societies such as those of Africa. These coalitions were to be accompanied by a “reasonable degree of provincial devolution” (a form of federalism) to prevent the richer areas in a country being “taxed heavily to subsidize the poorer” (Lewis 1964: 51).

Lewis argued that the educated middle class alone had the necessary skill prerequisites for organizing and running such a system. They alone had the wherewithal to satisfy the criterion of “administrative efficiency”. Such arguments led to his unambiguous support for any system of government dominated by those with middle class skills. For example, in supporting the military overthrow of the governments in Togo and Dahomey, he implied that “the army was likely to be a progressive force as long as the officers retained control” since the officers “were better educated than the politicians” (Kofi 1980: 214-5. See also Lewis 1965: 87).

Clearly, the political implications of Lewis’ thesis is that middle class intellectuals, professionals, and functionaries are to hold power exclu-

sively. In the absence of class societies, the organizational and administrative skills needed for the consociational arrangement proposed by Lewis are clearly those typical of middle class professionals and bureaucrats. This enhances the authority and control exercised by this group at the national level. At the same time, devolution of centralized authority provides bureaucrats and professionals at the sub-national levels with opportunities for power and accumulation they would not otherwise have under centralized national governmental structures.

Lewis also sees the need for opportunities to be provided to the middle class for guaranteeing the skill prerequisites for a mass consumption society. In this regard, he was a forceful advocate of education. If surplus labour in the subsistence sector is to be absorbed into the capitalist sector, there is need for education and training. Only then can such labour be transformed into skilled manpower. This task was to be accomplished by a corps of middle class teachers.

It must be remembered that Lewis' concern was with the problem of transition to development. That is why much of his attention was directed at the accumulation of domestic savings for domestic investment. As such, he saw the need for curbs on consumption. This had direct implications for middle class lifestyles. He argued against colonialism's legacy of creating artificially high salaries for the educated. He also objected to trade unions because of their effect on wage escalation. Instead, he advocated strong measures by the state to keep wages down and to control consumption. The state was to ensure that wages remained low and the excessive incomes of the middle class were cut. Disposable income was to be converted into savings and investment through increased taxation. With the application of such policies, there would be higher productivity, faster growth, and increased employment in the capitalist sector.

On the surface, the measures for curbing wages, income, and consumption were to be applied universally, without regard to class. It was even argued by Lewis that such measures would contribute to ending systemic bias against rural farmers that ensued from the fiscal policies typical of LDCs. Despite such arguments, it was clear that the application of these measures were to be directly beneficial to the middle class, irrespective of the universal application of taxation and of efforts to keep wages low. Lewis' measures were clearly favourable to middle class interests, particularly in terms of the generation of employment opportunities. Higher rates of savings that result from cuts in consumption were to be realized through increased taxation. In other words, they can be anticipated to lead to the growth of state institutions, even if only to manage and direct investments from increased revenues. As was pointed out previously, Lewis did not rule

out state participation in productive enterprises. Such participation would provide even greater opportunity for growth in the state sector.

In LDCs, the beneficiaries of increases in state revenue are bound to be those who have inherited control of the state, i.e. the members of the ascendant middle class. Here, therefore, is an instance where the universal application of a principle (depressing wages and increasing taxation) acts to the benefit of one group (the state controlling middle class) and to the detriment of another (the rural and urban working classes and the peasantry). While Lewis' formulation requires the members of the middle class to give up their accumulative demands, what they gain in return is administrative and political power. They also are guaranteed that the institutional organisations that serve their exclusive interests are sustained and strengthened. At the domestic level these organizations are the ones that are incorporated in or controlled by the post-colonial state. The former includes its legislative, executive, and judicial branches. The latter includes parastatals, joint ventures, and all organizations whose activities are subject to state regulation.

Middle class domination is justified by Lewis in terms of the rationality of its system of beliefs, values, and practices. The post-colonial state needs to be protected against the irrationality of tribalism and radicalism of the lower classes. It is in these terms that middle class authority is justified. This is not to say that Lewis was anti-democratic. He was committed to the notion of consensual authority. However, there is a certain Machiavellian quality to his consensus. Lower class tribalism and radicalism must be exploited by middle class leaders to ensure mass support. But this should not come at the expense of sound rational policy. Thus, the political leadership must be:

radical enough to win the loyalties of discontented masses, but liberal enough to proceed by compromise rather than by military force... tribalist enough to win seats in their local constituencies while still retaining the respect and confidence of men from other tribes (Lewis 1965: 85-6)

The compromise of which he speaks is, clearly, a compromise among middle class leaders based upon mutual respect and confidence. The subjective and particularistic commitment to tribe and class would preempt such a compromise among the lower class. Hence, the grand coalition which Lewis sees as necessary for development can emerge only under the direction of the middle class. Such a coalition is necessary for creating the conditions of accumulation by the state in the form of a "steadily increasing share of the savings and investments" (Lewis 1965: 86).

The political implications of Lewis' formulations are that the middle class in LDCs would hold political power exclusively. This is so because the conditions of legitimate authority would be such as to exclude proletarian workers, peasants, and the domestic bourgeois class from control of the state. By placing economic power in the hands of the state, middle class nationalist interests would also be protected against international capital. The formulations of Arthur Lewis are directed at achieving both of these ends.

The implications of Lewis' formulations make him one of the foremost ideologists of the middle class in LDCs. His ideas have certainly contributed to the realization of middle class political power in LDCs. Thus far, however, they have failed to create the institutional formations for withstanding the onslaught of international capital. Arguably, the fault lies in the managerial, bureaucratic, and political emphasis of the state controlling elite who inherited power. This has come at the expense of the promotion of entrepreneurship, seen by Lewis to be the role of the state power. Where this has been done, the outcome has been precisely what Lewis has predicted. The typical cases of success in this regard are the "Gang-of-Four" countries of Hong Kong, Taiwan, South Korea, and Singapore. These are countries that have vigorously pursued the type of export-led development that he has proposed. The end product has been the gradual transformation of some members of the intermediate strata of non-proletarian labour in these countries into a class of global manufacturers that is beginning to challenge its counterparts in the industrialized metropole.

Given the evidence provided by the example of the Gang-of-Four, Lewis may be right in assuming that the transformation to bourgeois capitalism must be preceded by state domination of the economy.⁴ Whether this creates a state of global equilibrium, in the Ricardian sense, or whether it intensifies the contradictions of capitalism and universalizes them on a global scale is yet to be determined. It is the latter scenario that is argued by those who see in these examples a particular process of "internationalization of capital" in a developing world system (see, for example, Barkin 1981). If they are correct, then the fate of the middle class in LDCs is one either of absorption into an international bourgeoisie or of accommodation with such a bourgeoisie in an international "social democratic alliance." The middle class is therefore destined to lose its nationalist character. Evidence of the latter abounds. Left out of both of these formulations are the interests of the lower class which constitutes the majority in LDCs. How are such interests to be served? One likelihood is that, like their counterparts in the industrialized societies, the majority will become absorbed into the intermediate strata in the process of the development of universal middle class societies. Such an outcome is impossible given the structure of

dependent capitalist social formation. This leaves the likelihood of the other alternative: a fundamental restructuring of the capitalist system itself following in the wake of an inevitable revolution of the working class in LDCs.

NOTES

1. The most important among these are the West Indian scholars of the New World group.
2. The notion of a "social democratic alliance" has been discussed by Samir Amin (1976) in his reconceptualization of dependency theory. It refers to the alliance between the workers and capitalists in the industrialized "metropole" (manifest in welfarism and democratic socialism) which resulted in the sharing of the benefits of super-exploitation of the underdeveloped "periphery".
3. A point made by Farrell (1980: 57).
4. This, of course, is the identical point made by those who argue that "national reformism" is at an end in the face of the emergence and spread of "a global manufacturing system" (see Harris 1986: passim).

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