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The Sixteenth Adlith Brown Memorial Lecture

Economic and Business Ideas in the West Indies at the Dawn of the 21st Century

by

Lloyd Best



Caribbean Centre for Monetary Studies



Guyana



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About the Author

Lloyd Best is Managing Director of the Trinidad and Tobago Institute of the West Indies and Editor of the Trinidad and Tobago Review. While a graduate student in money and banking at Oxford University, he was recruited by the University of the West Indies (UWI) as a Junior Fellow of the Institute of Social and Economic Research (ISER). This was in January 1958, at the time when the West Indies Federation was being launched in a ferment of anticipation. Since then, Best has had no other business but the Caribbean. He has traveled extensively and lived in many parts of the world. He has worked intermittently at universities abroad and at home, including the UWI at (Mona and St. Augustine) Schoelcher, and Rio Piedras. Best has also served full-time and as a consultant with several development and lending agencies. In Trinidad, he has served as Party Leader of Tapia and twice as Opposition Leader in the Senate. Above all, Best has been active in the private sector, and in the intellectual and critical life.



Caribbean Centre for Monetary Studies

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Caribbean Community and the University of the West Indies*



SIXTEENTH ADLITH BROWN MEMORIAL LECTURE

ECONOMIC AND BUSINESS
IDEAS IN THE WEST INDIES AT THE
DAWN OF THE 21ST CENTURY

Lloyd Best

**Delivered on November 2, 2000
at the Le Meridien
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Dedication to Dr. Adlith Brown

The annual Adlith Brown memorial Lecture honours the memory of Dr. Adlith Brown, Co-ordinator of the then Regional Programme of Monetary Studies from 1980 to 1984.

Although born in Jamaica, Dr. Brown could truly have been described as a Caribbean woman. Her sense of regionalism was nurtured on the Mona Campus of The University of the West Indies where she did her undergraduate work for the B.Sc. (Economics) offered by the University. She subsequently completed her Master's (with distinction) as well as her Doctorate degrees from McGill University.

Adlith returned to teach at the University (St. Augustine Campus) in 1969 and in 1971 was transferred to the Mona Campus where she taught Monetary Economics in 1976 and was one of the main anchors of its Research programmes. She co-ordinated first the Caribbean Public Enterprise Project and from 1980 the then Regional Programme of Monetary Studies. In this period she was also promoted to Senior Research Fellow and in 1982 to the position of Acting Deputy Director, which she held up to her death. These latter years demonstrated most her capacity for intellectual leadership and for creative management.

Adlith revelled in the realm of ideas. It is therefore understandable that she was fast developing a reputation of being an outstanding economic theorist as her writings attest. Indeed, she was an ideal person to co-ordinate the then Regional Programme of Monetary Studies, given her passion for regionalism, her intellectual standing and her understanding of the process and problems of policy-making with which her colleagues in the central banks had to cope.

Each year the Open Lecture at the Conference of the Annual Monetary Studies, now sponsored by the Caribbean Centre for Monetary Studies, is designated the Adlith Brown Memorial Lecture.

Preface

It is my pleasure to welcome Mr. Lloyd Best, one of the leading political economist, and an eminent scholar of the Caribbean. A provocative thinker with an unyielding propensity for original thought. A truly Caribbean man who is reported to have said that he has no business other than the West Indies.

Lloyd Best has remained unshackled by orthodoxy and unencumbered by institutional boundaries; consequently, for the better part of the past 40 years, he has remained a critic of West Indian economic trends, always articulating the view that the Caribbean requires greater regional control in order to achieve genuine and sustainable economic and social transformation.

His career as an influential West Indian intellectual, goes back to the 1960s, when, after doing graduate work in monetary economics at Oxford University, he joined the UWI's Institute of Social and Economic Research as a Research Fellow. During that time, he also became a prominent member of the New World Group whose membership on the Mona Campus included economists such as George Beckford, Kari Levitt, C. Y. Thomas, our own Owen Jefferson, Havelock Brewster and Norman Girvan. The Mona Campus was then referred to by many as a hotbed of radicals, deeply critical of prevailing economic conditions and determined to establish an organic social and economic identity for the Caribbean.

Along with Kari Levitt, he pioneered the development of the Plantation School, which placed Caribbean economic development in the context of the region's colonial history. From those early days, Lloyd Best excited young minds and fired imaginations, persistently challenging Caribbean people to

overcome the circumstances of history and size. He continues to offer fresh, provocative and insightful commentaries on economic policies and trends. It is appropriate for Lloyd Best to give the final Adlith Brown Memorial Lecture for the 20th Century, on the occasion of the 40th anniversary of the Bank of Jamaica.

This distinguished economist was the first in collaboration with Allister McIntyre to critically examine monetary management in Jamaica, following the establishment of the Bank of Jamaica in 1960. At that time, both men were deeply concerned about Government's ability to reconcile the aims of monetary policy with those of general economic policy. After almost forty years and the challenges of a continually changing environment, it would be interesting to hear his perspectives nearing the start of a new millennium.

Like Adlith Brown, whose memory we honour tonight, Lloyd Best has made significant contributions to the intellectual development of the Caribbean; for this we commend him and welcome him to the podium to deliver the sixteenth Adlith Brown Memorial Lecture. [*Applause*]

*Governor Derick Latibeaudiere
Bank of Jamaica
Jamaica*

Prologue

I sincerely hope readers of the Adlith Brown Series will be as glad as I am that this booklet has now at last become available. It dates from the XVI Lecture of November, 2000 delivered in Kingston.

The long delay has been due chiefly to illness that for more than a year prevented me from even going to my office. I am thankful to CCMS for not waiting on the original draft. When I saw the transcript, I remembered how much the spoken word is a medium entirely different from text.

I am therefore more than happy to present here the discursive version. Not only does it capture what I'd actually uttered; it also retains the audience responses that attest to performance and participation rather than seminar.

I did of course edit; but only the most extreme excursions and excesses have been excised.

Lloyd Best

Economic and Business Ideas in the West Indies at the Dawn of the 21st Century

Lloyd Best

Introductory Remarks

Thank you Mr. Chairman, Mr. Governor, distinguished guests at the Table, distinguished guests in the audience, ladies and gentlemen.

I was in Jamaica two weeks ago to give an address for the twenty-fifth anniversary of CARIMAC and the person who introduced me read a piece about me written by my closest collaborator for over forty years, Kari Levitt, and when she was done I could not recognize myself. [*Laughter*] I seldom ever do. Though, when I was a boy at school, they always said that he who laughed last, laughed at Best. [*Laughter*]

It is always an honour for me and a pleasure to speak to an assembly of professional colleagues and collaborators. I hasten to thank the Caribbean Centre for Monetary Studies as well as the Bank of Jamaica for insisting that I do duty at this particular gathering and at this critical moment. My availability has been explored before, but I always waffled. Now I'm deeply moved by the welcome given by the Governor and many of his staff, all

expressing sentiments which echo relations I have had with the Bank from its inception and which also evoked days at Oxford when the Hon. Sir Egerton Richardson, who was hatching the whole thing at that time, asked me if I would join the planning cadre in Jamaica to shake the place up with ideas.

When I turned down the job as Administrative Cadet at the Race Course, it was he and Raymond Smith who conspired to get the University College of the West Indies to offer me my first job in Mona, my first job ever. It was the decision of my life. It precipitated me into a realm of independent speculation, one of great fertility and almost unlimited joy of which I have never regretted being an inveterate inhabitant. I've been blessed to be my own man every step of the way; working for nobody; making no concession to orthodoxy or fashion; and so far there has been no price at which my vote or my voice has been secured, least of all in silence.

Invariably I speak up. I've been lucky enough not to have suffered any prohibitive setbacks as I have a multitude of friends here in Jamaica to witness. When I see them assembled as they are tonight, the pleasure becomes a true delight. Since fate has linked me to a miniscule political party in Trinidad and Tobago, when I see so many assembled, it makes me a little wistful about times when one has a full house to talk to. More than ever these days, I cherish the lectures I'm asked to give by the historians at St. Augustine; six hundred freshmen and women attend them in two successive lots of three hundred each time.

Though I did exceptionally address the assembled trade unions last Labour Day in Fyzabad - and what a furore that caused in Port of Spain - first year lectures are the closest I ever come to a routine addressing of the masses.

Mr. Chairman, Mr. Governor, ladies and gentlemen and friends, I'm truly thrilled to be in Jamaica. I remember the times I used to come back here from abroad and when I arrived at the Palisadoes I would feel something rising up at the back of my neck. I really love this land. Trinidadians don't like to hear me say that this is my favourite country and my favourite island.

I was not yet twenty four when I first came more than forty years ago. "Bliss it was in that dawn to be alive and to be young was very heaven," as the poet has said. This place boasts of the most handsome seascape and the most alluring beauties a newly married man could hope to gain external economies from. [*Laughter*] Not even the long succession of structural adjustments has since changed my appraisal.

I first came here in 1953, by banana boat on my way to Cambridge University and I met Stuart Hall on his way back to Oxford. While here I went to a Cropover dance at Innswood in the moonlight; it explains why I've been moonstruck and mad ever since. [*Laughter*] When I first arrived in 1958 to take up residence, the West Indies Federation had been inaugurated less than a month before. Our world was then in every kind of ferment. Aided by the Open Lectures at the University, the intellectual speculation was soon without frontiers. It was mostly extra-disciplinary speculation, some would say, in every meaning of that term. I take the comment seriously because I'm fairly confident now that a good part of our predicament stems from our obsession with discipline, rigor and lucidity the importance of which cannot be ignored but which are much harder to achieve when you refuse to incur the costs of processing, elaboration and refinement before getting to the finished product.

Introduction to the Theme

I shall argue that in the West Indies in particular, where we have only just inherited the role of the autochthon; and where we were for too long not prompted by the cosmic spirits native to the environment, there's a price to be paid for striving to see the world whole. We're only now finding out that in real life there is scarcely any entity we can describe as the economy that is separate and distinct from the society or the system of government and politics. Much of our problem arises from the failure of the founding fathers of the UWI to perceive the epistemological problem of assembling the fragments whole, by first locating all the other disciplines in the humanities, especially poetry - apt this evening - myth and history, so that the chemistry could be compounded with the culture.

There is, of course, room for abstraction; but only if we do not sacrifice the requirement of being able to place the singular disciplines in one shared solvent of institutions and structures. In most ways this evening, my subject is about that quest for epistemological unity and by extension for wholeness of being, the absence of which I find to be the true source of our predicament in the university in general, in the social sciences in particular and, by extension to be the problematique of Caribbean civilization and challenge to the Caribbean community.

My topic is *Economic and Business Ideas in the West Indies at the Turn to the Twenty-First Century*. The title is a convenience and is probably deceptive. I hope you would indulge me if I tried to redress the balance just a little and to restore the perspective of wholeness, speaking for an entire people, a specific people, wherever they are in the global order, now accelerating faster than ever, after five hundred years of travel. A people belonging in a particular place and a particular space, experiencing their being within particular coordinates of history, but afflicted

perhaps, by unique and troubling problems of intuition and cognition, of knowing, of conscience and awareness, of self-awareness in particular; indeed, of identity and self-esteem. Thinking about what I would say for three days holed up in the hotel, I concluded that self-awareness and self-esteem are the sources and fountain of wisdom.

Reflections

Adlith, my very good friend, almost unaccountably entered into our lives and took charge, as she exhibited an astonishing precocity and acquired a remarkable maturity in those halcyon years. I was privileged to see her grow to ripeness and judgment. I'd say her joint 1973 paper with Brewster on economics in the English-speaking Caribbean should be required reading.

She had come to Mona in the first crop, with Girvan, Patterson and others, in that golden age when we were in quest of that elusive new world. She went to McGill and worked with Kari Levitt during a period when Demas came and went. Edwin Carrington, Carl Bennett, Ainsworth Harewood, DeLisle Worrell and others seemed fixtures as we shared those magnificent autumn days and then the interminable tundra of winter. I am glad to be able to utter these few words in remembrance.

Mr. Chairman, Mr. Governor, I recall the very first time I presented an address to professionals in the financial community; it is still fresh in my mind. It was in 1964; I was Visiting Professor at the Rio Pedras Campus of the University of Puerto Rico. I was reminded of it in Australia, of all places. I was visiting the sugar industry in Nambour, north of Brisbane, on the gold coast wholly incognito. My driver, in an imposing black Statesman Sedan supplied by Canberra on the prompting of Lloyd Braithwaite, Pro-Vice Chancellor in St. Augustine and the Australian Trade

Commissioner in Port of Spain, paused for a moment for us to drink a pineapple juice at a place called the Sunshine Plantation. I was startled when the owner, a gentleman of a certain age, asked me, laughingly: “Aren’t you Lloyd Best from Puerto Rico?” [*Laughter*] It turned out he had been a member of a team from the lending agencies that had interviewed me on the operations of the West Indian financial system in the board room of the Banco Popular in Santurce. “You do not remember me,” he said, “but I’ll never ever forget you for the tongue lashing you gave us on that steamy Latin morning. I’d never heard anything like it.”

Well I’m not meaning to scare you or make you apprehensive of anything I’ll say. I’m very much older now and I did twice speak to this Monetary Conference without too much upheaval; at the Demas Testimonial in Port of Spain; and for the McIntyre Valedictory in Nassau. On this third occasion, I am humbled that this is the main event.

Is There a Need to Re-conceptualise Caribbean Society?

Perhaps we should proceed in three main steps. First, recapitulate the appraisal that a few distinguished actors and agents have been making, from which we hope to get a sense of the main ideas which underlie or even undergird our approach to the global encounter. Second, we might show on what terms these ideas make a programme and in what way we justify and legitimate them to ourselves as owners and managers of this place. Finally, are there any strategic departures that we now find compelling, on the lip of the twenty-first century? What then is to be done?

These are the three main steps I have in mind, but as usual, I shall proceed mostly by indirection and I shall speak for quite a long time, let me warn you — [*Laughter*] — mainly because I

know that if we're doing some maddening things, it is not because we are foolish or wicked or crooked, but because we have a good reason for it.

In a way I shall be exploring the nature of the neurosis that Richard Fletcher, in his Adlith Brown Lecture in Port of Spain, attributed to me as the cause of our performance. I looked at the programme when I came and I was reassured when I saw that my old friend and intellectual sparring partner, Sir Courtney Blackman, is posing the question, "Is there a crisis of central banking?" Now, a crisis is a crisis only when developments, usually but not necessarily unanticipated, serve to throw the leadership and the management into such disarray — or into such complacency — that the question is not even posed. Once the possibility of crisis is acknowledged and put, there exists an order of challenge quite different from crisis. In the normal course of things, steps should follow to fashion appropriate solutions. When no such steps follow — or when steps repeatedly follow, but with no issue in amelioration or solution, then what is being described is an entirely different condition.

In the West Indies today in spite of the currency of the notion of crisis, I would say the condition is rather one of endemic creole disorder that remains creative. I suspect that rather than being an aberration or a malfunction to be corrected by mere resolute intervention, this disorder might be in the nature of the system of society and economy we've established over the five hundred years and for which we have been fully responsible for only the last fifty.

The issue is therefore, I think, not even reconstruction but, perhaps, reconceptualization of the society and the economy. Over the fifty years, I must say, I have not discerned any particular complacency or any particular panic. Neither the intellectual

nor even the political elites display any special sense of disorientation or exhibit any lack of industry, energy, initiative or intelligence. We have been repeating errors, to be sure, perhaps bad errors more than good errors, and there is an uncanny sense of a stasis since Independence that is dynamic in its continuity. But the problem is not that we do not care, or that we do not expect to prevail by continuing to work; the issue lies elsewhere, and unfortunately, it keeps slipping through our fingers. When I'm here you always have to fear sabotage. [*Laughter*]

World War II did indeed complicate the transition from colonialism, first by delay, and then by acceleration. The effect was to distort the succession and to render prematurely obsolescent many policy models and programme ideas. And yet the proven quality and career performance of the Caribbean cadre would make it hard to accept that the successor elites in these islands were, at any stage, egregiously retarded, overtaken by developments or events, or that we were notably behind counterparts in other countries, colonized or colonizing. In the last decade, I find that by any normal standard the West Indies Commission reported with a very keen sense of the urgency and complexity that the changed environment demanded.

I would hazard that our essential problem has been one of founding, establishing and consolidating, out of the repeating island in the ocean sea, one single, solitary republic, democratic, participatory and free, underpinned by one autonomous economy, actively incorporated into the global order on its own account, able effectively to pay its way in the world; and I would add that this problem has been with us for fully two hundred years and we know it; which is why we're here today, I assume, and every year, to take stock.

It was the Napoleonic Wars which first posed the challenge to cane sugar by beet and to West India by East India. We can speak now only as the definitive settlers, owners and proprietors of the landscape; inheritors of the patrimony, governors of the dew. This is our place. It's owners include even those among us who might once have held us in the *encomienda* or in slavery, indenture or colonialism. We therefore take unconditional responsibility for all decisions and actions, for all errors of commission and omission, not only present and future, of course, but past as well. Under no circumstances can we concede ownership or management rights to anyone else.

Since the turn to the nineteenth century, admittedly with different degrees of resolve, we have faced up to the challenge, but with no definitive solution so far. That is the sum of the diagnosis to which I intend to adhere in what follows. Long-term stagnation and short-term maladjustment are endemic in the West Indies and the Caribbean. In spite of the many and varied measures we've adopted, effective viability has been elusive. In turn, we abolished the slave trade in 1806, dismantled the regime of slave labour in 1838, resorted to a regime of indenture. We had the sugar duties equalized in the period between 1846 to 1852, before agitating for a reversion to Imperial Preference in 1902.

We embraced Crown Colony Government or submitted to it, at any rate, in 1865. We revolted against it in the 1930s and opened the portals of possibility to Organized Labour and the Trade Unions. We graduated to adult suffrage in 1944, to self-government and to the experiment with Federation from 1958 to 1962, in part to support a programme of industrial development and export diversification. Finally, we opted for island independence in 1962, and regional economic integration in 1973, all with high hopes but with disappointing results on a recurring basis.

Conceptualisation and the Caribbean Consensus

Here, to get into the meat of the investigation, just as a device for getting to what the underlying issue might be, we begin now by consulting four eminently reliable reporters. What is the state of the economy at the turn to the twenty-first century? We look in turn to Owen Arthur, Richard Fletcher, Trevor Harker and Richard Bernal. Not only do they have superb credentials, their responsibilities have been exercised on the front line, where only hard-headedness, discernment and practical good sense count. What we are striving for is a view, not of what the world is thinking, but a view of what our very best people are making of this challenge and of what *we* are thinking that the world might be thinking. Let us start with Owen Arthur.

Prime Minister Owen Arthur

At the Millennium Conference held at Mona at the end of last year, the Prime Minister of Barbados joined the regional cadre in a seminar to discuss “*Contending With Our Destiny*”; the book has been published under that name. He has a clear focus on what we ourselves have been doing and the underperformance it involves. In his paper on economic policy options, he observes that our efforts may have won us high rankings in terms of human development and human poverty indices, but performance has been anaemic and spasmodic. We’ve retained outmoded ways of doing business and have been slow to adjust to changing conditions. Sustained growth and effective transformation have eluded us. The record of the MDCs has been less satisfactory than that of the LDCs, though the latter depend dangerously on economic activity propped up or even induced by trade preferences.

Prime Minister Arthur notices that features of the economy have endured from the turn to the twentieth century to the turn of the twenty-first century: narrow specialization in primary exports, a distribution sector marked by oligopoly and import dependence, prevalence of State and private monopolies. There exist large gaps between current conditions and those necessary to sustain development at home and viability in the global order. We find ourselves tied to the apron strings of the North Atlantic countries. The preferences to which we adhere are already grossly devalued. The world system is poised to dismantle special relationships and non-reciprocal preferences.

The important aspect of the Prime Minister's position is that his posture is sovereign, autonomous and duly skeptical. He knows that the process of change is in part driven by globalization as a convenient and legitimating ideology; but he also knows that the challenge to us is real. As the world leaps from the industrial to the information age, the new regime of competitive advantage no longer respects possession of energy or natural resources or cheap labour. The old regime has collapsed almost overnight. It has torpedoed comparative advantage and left us relatively under-prepared along with many others. We need a new way of doing business. We therefore need a strategic diagnosis. This suggests abandoning stop gap approaches to macro management often adopted out of the fear of failure. It means going beyond the Washington Consensus to adopt carefully balanced and sequenced approaches.

It would be dysfunctional, PM Arthur says, for the State to retreat from our responsibility to manage the market where necessary while constructing appropriate market structures. We cannot but recognize that the private firm is still the crucial doing part; the aim must be to equip it to promote intelligent exports.

This means vastly improved education, much greater “human resource” capability, institutions in support of organizational change, infrastructure. Caricom must proceed to the Single Market and Economy, not so much in anticipation of the Common External Tariff, but in acknowledgement that we cannot do without a joint negotiating machinery for bargaining with the rest of the world. The aim of the community must be active integration into the global order through changes of focus and strategic alliances.

This is a clear *prise de position*, I find; richly informed, in some ways defensive, in some ways defiant, always realistic, as would be expected of a breed of economist/statesman emanating from the UWI; and yet PM Arthur’s view is still largely macroscopic; it does not fully plumb the depths of the micro realities implicit in his macro position. It deals mostly in the manifestations of the condition and proceeds to eminently sensible prescriptions. But do we get to the root of the problem? I find not. How is it that we have such sane postures, as PM Arthur has adopted, which have nevertheless not been adopted over fully two hundred years? Or if they have been adopted, for what reason have they somehow not worked?

Richard Fletcher

I turn now to Richard Fletcher and his diagnosis of West Indian underperformance set out in the Twelfth Adlith Brown Lecture. At the time of Independence, Fletcher reminds us, Caribbean countries were among the most promising and privileged of the new states. They have since been comprehensively surpassed, especially by the countries of South East Asia. He confirms but does not resolve the conundrum involving MDCs and LDCs. Such natural rich resource rich countries as Guyana, Jamaica, Trinidad and Tobago, have been hard put to convert.

Over three decades the resource poor islands of the Eastern Caribbean have surprised many.

Fletcher does not fail to approach questions not raised by Prime Minister Arthur. Why have the Caribbean economies not been structurally transformed? He, Fletcher, is baffled. He is satisfied that the Dutch disease has had astounding effects on resource rich economies, but the factor which stands out is poor export performance. Barbados seemed for a time to have been an exception, but after 1980 her exports ceased growing. Fletcher attributes the failure to malpractice in development strategy, a rejection of the identical prescriptions that worked in South East Asia; ironically, having come out of the Caribbean, tracing their origin to Sir Arthur Lewis. He suspects that the reason lies in values or neuroses outside the realm of economics, probably rooted in culture.

The option now is to accept that competitive advantage no longer resides with nations, but rather with productive enterprises, firms and individuals, he says. A successful nation is therefore one that becomes host to competitive producers, attracting them and retaining their presence. Development policy becomes synonymous with enhancement of the attractiveness of the country for financiers, investors and entrepreneurs. Small countries, Fletcher adds, can make themselves attractive locations. The Caribbean can take advantage of opportunities.

Over two decades the regions' entrepreneurs have demonstrated a capacity to be globally competitive. They need to replicate the successes they have had in the hotel industry, airline services, confectionery, garment manufacturing, food processing. Public policy has a critical role to play through stable and predictable macro economic policies and through adequate social

and physical infrastructure oriented towards export markets. The region must also bring our money costs of production in line with international prices; there Fletcher is quoting from Sir Arthur Lewis. This means facing up to the most explosive political issue. The major component of cost is the wage cost per unit of output. The requirement is to act through the four management instruments set out with the post-war industrial development programme. Incomes policy, trade policy, the rate of exchange, productivity.

In short, Fletcher is reaffirming the approach we were meant to have been following in the three and a half decades after World War II; but apart from citing malpractice, he offers no strategic diagnosis as to why it went wrong in the first place. Was the malpractice wilful? Did the governments not want to implement the industrial development programme? Was activity in manufacturing and agriculture blighted and stunted by the Dutch disease? Was this a system problem? Were there other system problems? How do we get at them through a single management thrust? Why have we not got at them up to now? Well, Harker has some suggestions.

Trevor Harker

He suggests that there might have been system problems, but his mandate did not permit him to explore them or it permitted him to explore them only in terms of Caribbean commonalities; though that is plenty. In two ECLAC papers, both put out in October 1994, Harker looks back at the difficult adjustment years dating from the first two of the seven oil shocks we've had between 1973 and the end of the century; the first two that we had in the 1970s. He highlights our failure to renew or replace traditional sources of growth. Emphatically, he evokes the oldest Caribbean problem: continuing vulnerability to external shocks and the centrality of the commodity terms of trade.

He finds a striking parallel between the great majority of the islands, thought to be vulnerable on account of being small and open, and their large neighbour, Cuba. The latter island has always enjoyed large land resources and a considerable capacity for food production rather than exports. The ideological rationale of government, the modalities of economic management and the terms of incorporation into the global order might appear to differ from those obtaining in other Caribbean countries. However, characteristic Caribbean difficulties still surfaced in that large island, and that should trouble us; moreover, they surfaced in spite of attempts to operate an adequate macro economic framework of adjustment.

Cuba fits snugly into a region where the traditional sources of growth have been agricultural and/or mineral staples, fitful would-be manufacturing and services, mostly tourism, but also offshore finance. Each of these, including tourism, has been declining or stagnating as the global environment has undergone a rapid transformation in which the hospitality industry has been in sunrise mode. The shift in economic power towards Asia has been accompanied by an extensive globalization of manufacturing and of capital markets.

The opportunity for the Tigers and Dragons has arisen from a number of developments. International trade was growing faster than output; foreign direct investment had revived to boom dimensions. Transnational corporations were emerging as the major actor on the global stage; they employed modes of decentralized production and trade that favoured subcontracting as well as intra industry and intra firm transactions. Producers were eager to locate wherever productivity was highest. Manufacturing was the fastest growing activity. Why did this vehicle somehow bypass the Caribbean?

Harker thinks the opportunity was missed because the region was simply unattractive to investment, whether direct or through the financial system. He specifies reasons. Domestic firms suffered from outdated equipment and production methods, from deficient labour organization, vertical and confrontational industrial relations, problems of quality and standards, inadequate marketing techniques, indifferent after-sales service and a whole dispensation predicated on protection and shelter. International best practice could not even be approached, barring huge investments in infrastructure, in education, in technology and in marketing.

These preconditions immediately switch the focus to performance in the realm of savings and investment, which was not catastrophic, though in all countries except the Bahamas, savings repeatedly trailed investment. The fastest growing economies were also those best able to attract capital. They had the highest rates of investment though not necessarily matched by the highest rates of savings. The more stable countries were the ones able to attract inflows; the others could not. The latter needed further resources, hard to come by; they therefore resorted to budget deficits and printing money that further destabilized exchange rates.

The main challenge for Harker lay in the shocks that hit from the import side during the 1970s. Heavy import dependence was the other face to excessive export specialization. Not only did the sudden increase in the oil bill make the payments side of the external account unmanageable; it also implied a tightening of conditions in the countries where exports were marketed and/or where aid was accessed. External receipts and other inflows declined exactly when outflows were mounting. Being an oil exporter, only Trinidad and Tobago escaped. However, the time came when the

deterioration of the terms of trade would visit that country too, from the export side, as oil prices first softened then fell back and finally collapsed in the middle 1980s with the third and fourth oil shocks (1983, 1986).

The test to the region over the last thirty years, therefore, lay in the common requirement to adjust to these oscillations. Harker reiterates that the task lay in finding new exports and/or increasing production of import substitutes or in changing domestic tastes and curtailing demand for consumer imports. The actual experience was invariably one of sluggish adjustment on the side of demand and minimal adjustment on the side of supply. The effect was aggravated by maddening hesitations, reticences and lags in the policy response, mirroring the deep-seated nature, and therefore the abiding character, of the traditional limits on structural change. One of these, as much in Cuba as in the other islands, was the reluctance to alter such a key price as the exchange rate.

Harker concludes. He prescribes a “desirable macro economic framework.” He suggests that a combination of policies is required which should be coordinated over time on a sustainable equilibrium path. These policies include a convertible currency, high and stable exchange rates, moderation in wage rates so that they’re in line with productivity gains, aggregate demand policies tailored especially to curb consumption of non-essential goods and ultimately the maintenance of positive real interest rates higher than at international levels. It’s a tall order.

The hope is to create a policy climate that would enjoy national consensus. A start must be made with conservative fiscal policy based on a careful selection of expenditure priorities within a manageable tax framework. I would even say that these are ideals. Some degree of financial liberalization is also necessary. The aim is to extend the scope of the market in deciding interest rates, the

exchange rate and the acquisition and allocation of funds at the micro economic level; a cautious approach to deregulation. There is need to intervene at the institutional level to increase the efficiency and flexibility of financial institutions and capital markets. International capital flows should also be accepted as being a powerful tool.

Trade policy should ensure that incentives falling under it are not skewed in favour of non-tradeable outputs. Trade liberalization forms an essential part of the policy package; however, the challenge to maintain it with a stable or depreciating exchange rate is complicated where financial sector reform stimulates large capital inflows some likely to be hot money. Use of the interest rate to sterilize the monetary effect of inflows and curb inflation can have further perverse effects. If rates are increased for the purpose, but are already high enough to cause destabilizing inflows, the effect is likely to be further inflows still and further destabilization. If interest rates are decreased, prices are likely to rise and the current account likely to be eroded.

In Jamaica is this not familiar territory? Does Harker's discussion of the linked issues of trade, fiscal, monetary and exchange management come to grips with the problem at its origin? He is satisfied with deregulation — with which the policy maker might lose only the illusion of control. Indeed, control would already have been slipping away in the environment favourable to controls created in the years of expansion and, in some ways, would have been lost altogether when these controls were reinforced, in the first flush of adjustment. Where dynamism and flexibility were needed, paralysis was on offer, an approach most noticeable with respect to capital flight.

I find that what Harker's papers draw to our attention is all relevant and even rigorous and yet the nagging question remains:

Was the absence of policy control in the Caribbean not the result of more basic conditions? In Jamaica, when did we lose confidence? Save for a brief period of some twenty five years after World War II, when did we ever have confidence? When did Guyana ever have confidence? Perhaps in Trinidad a sort of fool's paradise confidence has always been bred by the offshore and natural resource economy, notwithstanding abrupt adjustments in the 1980s when the almost halving of oil earnings was met in succession by a discontinuation of saving, a running down of saving balances, a strong impulse to borrow, a decision to reschedule and, finally, a selling off of capital assets to honour debt incurred mostly for the purpose of consumption.

The specifics might be different; but the Trinidad and Tobago experience has not been very different from Jamaica's; particularly if the eleven years of almost unrelieved contraction from 1983 to 1993 are taken into account. The recovery in 1994 springs almost wholly from the revival of investment in the new export staple, natural gas. Perhaps other bases for confidence are in the making; and I think there are a few. But can we go the whole way with Harker to consider the adequacy of the macro economic framework without also going behind the failure to find viable new sources of growth and production and without identifying the strategic blockages and limitations'. Let us see what **Bernal** adds.

Much like the others, Bernal offers a very clear, comprehensively researched piece. His offering was also presented at the Millennium Conference under the title, *The Caribbean In The International System Outlook For The First Twenty Years of the Twenty-First Century*. Though emphasis is on the impact of the global environmental, the point of departure of this paper is not the traditional role of the terms of trade or the adjustment framework. Bernal is deeply concerned about the prospect for

small states and small firms. Their vulnerability, he thinks, is enhanced by changes in production technology, business organization, information flows and market configuration, all taking place under the rubric of globalization, the impact of which is to increase disparities and deepen the concentration of power and wealth.

Bernal makes much of the region's loss of strategic significance, as he does of the shift of power from governments to corporations and to multilateral agencies and financial institutions which assume a supervisory posture rather than a stance in favour of democratic participation and equal exchange. He finds that the new era boosts not only cross border organization of production, which everybody knows; it also globalises culture, authority systems and social controls. One effect could be to generate imagined communities and to strengthen impulses to the fragmentation of the traditional "nation state." It is almost as if the small state is increasingly acted upon by changing order, meaning globalization of production and consumption, magnified financial flows unrelated to production, annihilation of distance by communications and information technology, along with tighter integration of local and global markets.

The Caribbean faces a greatly increased complexity of international relations due to the rise of trade blocs and the emergence of regional powers. Our problem is that our traditional exports are simply not viable. The region seems obliged to undertake a strategic global repositioning. This implies a radical change of attitude so as to abandon defensive and reactive adjustment stances and to embrace genuine improvements in performance measures — performance bearing on cost, quality, service and speed of delivery.

Even large firms in small countries are usually small in global perspective. Small firms need careful product selection or specialist processes; they must target niche markets. Small countries are in the majority and their number is still likely to grow; they should see advantage in strategic alliances. For them, regionalism is essential if not mandatory. The imperative is to practice flexible integration, to recognize the inevitability of nations without borders and to concede priority to the global encounter. This implies widening Caricom and admitting Cuba and the Dominican Republic. A rigorous assessment is called for; the aim must be to create a seamless regional space conducive to globally competitive economic activities where nationality of ownership is not a consideration. The process must be able to accommodate both different development strategies and different speeds of integration.

For Bernal, the great barrier to progress lies in ossified ideas and sacred cows such as single currency, regional airline, political federation. It is not, he says, the Washington Consensus; the problem is the Caribbean Consensus.

Critique of the Caribbean Consensus

Mr. Chairman, Mr. Governor, I've reported on this stocktaking in extensive and patient detail. It is precisely the quality of these sources which makes it plain that there are additional requirements and which uncovers what these additional requirements must be. No assessment in terms of the capacity of the Caribbean to cope in the global order during the twenty-first century can be complete unless the appraisal is equally located in assumptions about the internal context made fully explicit. Otherwise, you're spinning top in mud.

Substantially unreformed production structures and their related ways of proceeding have been a recurring theme for two hundred years. Each of our observers prescribe or imply selected measures of correction. What is universally absent is any strategic insight into the sense in which globalization began in the Caribbean and for us is only now entering a critical new phase of admittedly qualitative change and unanticipated acceleration. We need to identify what has been stopping us over fully two centuries. If we don't find out what we've been doing wrong, how are we going to proceed? We need a precise programme for fixing it. We need more than to recognize the need for priority measures and sequences. We must also have a view of the way they fit into cogent policy and programme.

For that purpose it is imperative that we realize that the Caribbean was created by globalization and foreign investment. That experience implies information that we have a near monopoly of and yet, in an age of information, we're not using it as knowledge; which makes me suspicious of all this prattle about the information age that we invoke without in any way seizing its significance. Why are wage costs a particularly explosive issue more than in any other country? As descendants of slaves, we should think about that. Does our view of labour have anything to do with the peopling of the region, the way people came here, under what conditions? Do we not have to take that into account?

On the evidence, is there any chance of simply "bringing costs into line with international prices?" Is there any chance of that? Or do we not have to think about many other things? Why is the region attractive to investment only or mostly in the offshore sector, exploiting natural resources of sun, sand, sea, sin or what have you? What is the issue with the terms of trade, when the problem has been with us since the seventeenth century? Why are we raising that issue only now when it has always been here?

If smallness has anything to do with it, and I deny that furiously, why is Cuba a representative case, in spite of being a large country? There is an exercise I set for students: to list the big and small countries in the world — they find Cuba a large country. In Europe, Cuba would be a large country. And Cuba, in spite of twelve million people in a large land mass, behaves just like any Caribbean country; which should warn us. Why is this smallness a problem for people and not a possibility? Is it not particularly when we in the Caribbean are describing the global order and the external account that our first priority is to adduce those internal blockages which are a creation of the global process? We're not India, we're not Africa. This economy is a global creation; so there is little or no distinction between the global order and the domestic economy save for what is definitively inshore in Maroon country.

Is our problem not that even our best actors and observers are blissfully unaware of this condition? This condition is certainly in part due to the mandate of our reporters. These reporters were given specific mandates; but the problem might be much more deep-seated. In the body of ideas we trade in the West Indies, does there exist any policy framework that permits us to perceive the management problem in all its wholeness, social, economic and political? Do we possess any theory of society which compels us to locate all problems on the identical historical path and therefore in the identical field of institutions and culture?

I suggest two reasons for this blindness which, I insist, is not the same thing as neglect. The fact that we're not seeing our problem whole does not amount to neglect. It is blindness; we simply do not see it; and I am suggesting that we're dealing with a system problem, a problem inherent in the engine we're dealing with which is the engine of society. Our problems cannot be said

to arise because of a shock now or a shock later; they emerge from the system itself. They are inherent in the way society was set up; and I suggest two reasons for the fact that we're still not aware.

First, on the purely cognitive level of information gleaned in formal school, the social sciences, like so much else, but definitively in their case, have been borrowed piecemeal not only from Adam Smith, Ricardo, Marx, Mill, Weber and Malinovsky etc., but also from the sundry dynasties which they have spawned in western thought and which are active in the North Atlantic universities including their outposts and their polytechnic catchments in the erstwhile colonies. We go to these prestigious schools and pick up what Naipaul calls "provincial ideas". In Cambridge they teach the economics of England and they name it the economics of the world. We go to these prestige schools and call it "human development".

When transplanted to the Caribbean, invariably the fruit of learning is indigestible on two separate counts: for being brought from a past time to serve in the wrong place, as Dudley Seers has put it, because of institutional and cultural premises that are scarcely portable. Each count is problematic in its own right, doubly so on account of the fact that we cannot add the economics to the political science and to the sociology or psychology. Each of them is borrowed from a different context. We therefore cannot add them up!

Here is the reason the UWI has had to make such huge overhead investments, first, in social sciences. And when that didn't produce people that could do effective business in the region, we established a large capability for management studies. When the management facilities failed to do the job, we next multiplied

the business schools. You can see why there is not enough money to raise the percentage of the cohort in tertiary education from 7.8 per cent, where it is now, to the 18 per cent that it needs to be in five years time.

If only we could see that the problem is neither finance nor organization nor pedagogy but epistemology i.e. the knowledge framework within which we have instituted the disciplines. The way we have organized the university in relation to where the humanities, the sciences, and the social sciences are. The way we have broken down and fragmented knowledge has made it almost impossible to understand anything. We simply take over what the university has inherited as if we were not required to start afresh. We could have organized the social sciences in a completely different way and we could have taught all of them in one course, properly and rigorously, had we had the right model of Caribbean society and civilization.

But we think the education problem is money. The problem is not money; the problem is concept. The problem is the scholarship. It is not the bureaucracy or anything else that we are all the time correcting by expanding plant while refusing to expand thought. Do we not see that the requirement is to integrate knowledge and the disciplines in a completely different way? Given who we are in the global order, are we not better placed than most to do just that? Since we can't see how strong we are, everybody is complaining about the global order and the global order and the global order. Is Bernal not correct when he says that the problem is not the Washington but the West Indian Consensus? Though clearly he means a completely different thing from what I'm here intending.

The condition described by the term "underdevelopment" does not describe any objective reality. Underdevelopment is a

term employed by a cadre obliged to apply models and adduce concepts that simply do not fit. From this point of view, it is precisely the fact that the early post-war West Indians were in the vanguard of achievement in the world of thought, education and schooling that might very well explain our stagnation. Our brilliant performances in imperial schools and universities are, in fact, the reason we've had so much difficulty even in describing what is on the ground before us, absolutely the first requirement of science. When you arrive in a place the first thing you have to describe is what you see!

Because we are so supremely skilled and adept at manipulating metropolitan models, we are slow to realize that we have needed independent thinking. The reason we have been so bad at formulating theories of West Indian society is that we've been so good at fitting ourselves into the theories of other societies. In many different senses we have been the victim of our own high quality, but we must recognize that even there, the important element is the adaptability inherent in the Caribbean creole condition, which we invariably exhibit.

My hypothesis about the power and potential of our legacy is what I hope to fix in your attention this evening. It is the most beguiling and arresting of hypotheses. It is what could start us on the road to becoming the next super power having both North and South America in our backyard.

Years ago I raised the issue of intellectual elites who simply refused to see globalization as the Caribbean's main chance. I called my paper, "High Priests In A Low Season". This view seems to me to be relevant to what appears to be a congenital incapacity to see that our region possesses judicial and political systems of its own making, in its own image and likeness, much

like our social and economic systems. These systems cannot be dissected, or their functioning properly understood, unless we abandon the notion that they are some small outposts of Westminster or Chancery Lane.

Both the Privy Council and the Caribbean Court of Justice are mere conveniences to governments, opportunistically embraced or rejected, depending on the pronouncements, procedures and precedents each government wished to highlight at any given moment. The substantive reason for unification of the regional judicial systems has never been worked out and rendered articulate. We still need to demonstrate that sundry local jurisprudences add up to a common Caribbean way of dealing in justice in societies possessed of a particular background of colonialism and chattel slavery. The historical and cultural congruence of the different island systems would emerge in the underlying epistemology and in the rationale for the one single appellate jurisdiction; but nobody's doing the work, we're merely making political complaints and pronouncements.

Otherwise, the case for repatriation of our jurisprudence turns out to be a purely political one, meaning the replacement of foreign rulers by local ones. This is exactly the case that was made for the Independence Constitutions; and with what consequences! More important, it is exactly the case we made for education reform and the university. And with what consequences? The very same case we've made for the department of economics: to train a cadre to take over the administration. And with what consequences? There is a reason why no reforms to the Constitution have so far been effected in any of these islands to bridle maximum leadership and Doctor Politics, central domination and personal power, or to make the Executive work in tandem with the Judiciary.

The Constitutions we adopted at Independence do admit the real ways and means of power and participation in these island countries. However, the texts of these Constitutions have little to do with the actual working of the system of government and politics. Well, in the real world and the informality of the politics, nobody can fool anybody; not for a moment. Instinctively everybody knows how the political system works and where the power lies. It has nothing to do with the text or with the Constitution written at that time. So far as the economics is concerned, I will return to that discussion presently.

Now to the second reason that we have no theory of society. It is much more elusive than the first but much more decisive. It relates to the informal processes of intuition that all people have. All people who inhabit a given land and space are invariably intimate with its physical contours. Simply from the accidents of constant presence, constant participation and constant observation, they acquire sensibilities, they acquire insights, they acquire hunches about almost everything. They don't need any mathematical model or any statistical survey. That is for people like us who do not understand anything; let me add that.

The wisdom of the landscape informs. It instructs and it tempers. We can find here the reason informal education is sometimes more important than formal schooling. It is the reason England created the industrial revolution from smithies and workshops, mostly by blacksmiths fully one hundred years before primary education was made compulsory in 1870; only yesterday. It is the reason sense make before book!

However, as in our case, when a people is not native to its place, when they have been transplanted and introduced, not as proprietors and settlers, but as proletarians locked up for hundreds of years in total institutions and plantations, it takes a longer time

for them to achieve the necessary attunement to the landscape. Especially when they enter as individuals and not as communities, as we sadly did. When they arrive as many different peoples originating in many different places, as we sadly did. Eager to find solace by bonding themselves into new ethnic communities, as we sadly did. And if the compulsions of their colonial condition require them to abandon self, play the other and become like the colonizer in order to establish in his eyes their fitness for independence and their capacity for self-rule.

This is where the first and the second reasons converge. For very practical purposes, even our most private estimates and evaluations of self were conducted in terms of the formal, often for fear of failure if we dared to embrace the informal without the necessary external legitimation. Everything we do has to be legitimated abroad before we can accept it. Our self-esteem needs to be propped up by our brilliant successes with the inevitable citation and certification awarded by imperial school. Wilson Harris has suggested that this requirement has sharpened us in important ways which we must not overlook. But it has also had the effect of deadening our native intuition and of creating a vast accumulation of "sleeping resources."

We have therefore been proceeding with theory neither of society nor of economy because neither was possible without the other. Adlith Brown and Havelock Brewster's review of 1973 points to the lack of coordination within the discipline of economics. They note the existence of substantial descriptive detail is incomplete in terms of the scope of its theory. Our econometric models were related neither to the descriptive studies nor to each other. They seemed more useful for their technique than as devices for explanation or prediction. Both theoretical and empirical studies, Brewster and Brown also found, usually took as their point of departure — the orthodox dicta of traditional theory.

They may even have commented on relevant aspects of Caribbean thought, but seldom did they establish any fertile relationships.

The question we need all to ask, ladies and gentlemen, is if we are any better off today. What they said was in 1973. One quarter of a century later, are we any better off? My answer to Adlith would be yes, I think we are. And that could be decisive for progress, but, for want of policy leadership, combined with an incredible lack of initiative on the part of the generations, the advances we've made are largely accidental.

Fortunately, it does not really matter; for three reasons. First, Caribbean people and leaders have so much more opportunity now to live in the whole region and the world, and to manage their space in all its dimensions, that formal education and models are already less important than they were. Though they have a decisive role to play, let me say. Second, the position in some of the other disciplines, particularly history, has improved by leaps and bounds so that we can come closer to an understanding of the whole. So that we can understand how the place works with minimal recourse to economics.

Third, it follows that, though they were right in 1973 to say that we were far from a complete theory of the economy, Adlith and Havelock were grievously misguided. They were plain wrong to assert that, in the work of Best and Levitt, microeconomic aspects had been inordinately neglected, or that because our model might not always have paused to elaborate definitions and to formulate testable hypotheses in the way that the economists feel compelled to do, "descriptive detail" did not provide an adequate basis for strategic diagnosis and projections better than we could have made from alternative materials.

Adlith and Havelock were not only wrong, they were bound to be. The distinction between the descriptive detail of history and the analytical theories of economics must not be equated as economists sometimes find themselves sanctimoniously doing with the distinction between science and non-science.

When economists have tested their sundry hypotheses, they have seldom advanced the wisdom homo sapiens has been practising for fully a hundred thousand years. Mathematics and statistics are an infinitely useful aid to economic analysis and to rigorous thinking, but, especially in the humanities and the social sciences, they mostly help to tidy up judgments gained from keen observation of incidents and, above all, accidents, not favoured by any systematic surveys, almost always formulaic.

Keynes worked with the India Office, let me remind you. He arrived at the General Theory as a practical man in the City playing the market, like Lara, or Sobers. He claimed he could have reduced the book to one-third the size, and he could have stated the case largely without mathematics; but the professional establishment in Cambridge had so many hang ups with professional self-esteem, he had to blind them with science, and with public relations mathematics. And still they resisted him. They resisted even the mathematical proof, until he obliged them to surrender at the end of the Great Depression, and the start of the Second World War.

The distinction Adlith and Havelock adduced between micro and macro is in any case hard to sustain. That is not a serious distinction. Sparrow once said that if the words are wrong, so is the music. Or if the music is wrong, the words are. If the macro interpretation is correct, there exists an implicit, if not manifest, micro that is automatically compatible. All you have to do is extract it; but it is there.

You may not spell it out, but it is there. The problem with Owen Arthur's excellent strategic diagnostic is that it exhibits only a vague idea of what is wrong with the micro doing parts implied by his macro vision of order and change. If you are clear about the macro, then the micro follows as a matter of course.

Keynes' macro model implied a Marshallian firm listed on the Stock Exchange, not a multinational corporation. Ricardo's Schema implied a yeoman farmer owner/operator who plowed back his wheat as both saving and investment. When I come to conclude, I hope to have persuaded you that by 1973 we had enough before us, of both the micro and the macro, to be able to take West Indian economic theory and policy in a different direction. The reason that we did not do it has nothing to do with the availability of analysis. It has to do with the epistemological problem we have to unravel in regard to a colonial people unable to abandon other people's ideas.

If we have not seized the chance to develop our own theory, it can only have been for reasons we must take the time to explore to see if we can get it right. We were not devoid of business and economic ideas. We never have been. Nor are we anywhere near bankruptcy. I'm not making that kind of point. There are and have been all kinds of compelling bits and pieces alluded to and implied by Owen Arthur, Fletcher, Haker, Bernal. But neither then nor now have we managed to graduate to wholeness. This is doubtless due to downright errors; but it would also have been because there is a process of evolution going on. We can upstage that process, but only at the right moment. And the back of my neck is telling me that the moment is now, when everybody is complaining.

The Lewis Challenge

There is reason why, throughout the period following World War II, we have pursued essentially one model of economic management, though with variants and adaptations. The reason is simple. The model was good. It was super in that it responded to many of our requirements.

You make mistakes because it is good for you. Everybody does. Fletcher spoke only four years ago. He made it plain that he was - and we were - still enchanted by ideas which the young economist, Arthur Lewis, first conceived in embryo in 1939. These ideas took the form of proposals he wanted to present to the Moyne Commission following the labour disturbances. They were developed 10 years later in response to a request from Eric Williams who was then Deputy Head of Research at the Anglo-American Caribbean Commission and were published in the **Caribbean Economic Review** in two papers: *The Industrial Development of Puerto Rico* and *The Industrialization of the British West Indies*. Fifteen years further on in 1964, Lewis reviewed the position in a series he wrote for the *Gleaner* when he was Vice-Chancellor, entitled *Economic Problems of Jamaica*. He continued to elaborate his argument while he was President of the Caribbean Development Bank in three of the Bank's Annual Reports, 1971, 1972, 1973.

If the body of ideas has withstood the test of time, it is because they were from many points of view compelling. They could not be escaped. Most of our ideas regarding policy and management during the second half of the Twentieth Century stem in one way or another from Sir Arthur. But as Fletcher took as his starting point, the West Indies have been falling behind because the programme has not been especially successful in three senses.

The measures could not be applied. The measures were not applied as prescribed. Or where the measures were applied, they did not bring the intended results. And commentators have used one or the other as it suited them. Ultimately, the reason is that, while the programme was expertly informed and highly intelligent and could be sold at all levels because of its simplicity, lucidity, and capacity to stir the West Indian imagination, it failed where it mattered. Lewis did not address the system problems of the West Indian economy, of West Indian society and West Indian civilization. The irony is that in that regard he was characteristically a West Indian of his generation, of his achievement, celebrity and rank.

He was super competent, industrious, committed, loyal and a member of the educated elite that the school master tycoons that you all know so very well, with the support of the whole people, in spite of what the Marxists say, had set out after emancipation to breed, as the persons to represent and to lead us with distinction, nobility and purpose. Lewis answered completely to the calling. As William Demas has repeatedly said, he was by any standard first class and his Nobel Laureate was in no way gratuitous. He so deserved it, he did not need it.

The tragedy is that professionally Lewis was an English economist, and not a West Indian one. If his model of industrial development needs to be challenged it must be on epistemic grounds. Our professional community is still not particularly scientific, if it is scientific at all. And the critical tradition is scarcely developed. We are not yet persuaded that really high quality, such as Lewis, will stand up to scrutiny and survive the most searching critiques. We do not realize that it is at our absolutely best people, that the fire cannot but be directed. If we are to sift the value of ideas and the mettle of contributions; and particularly

if we are to separate fundamental system problems from incidental breakdowns.

We can come to the root causes only if it is not possible to attribute error to slackness, indolence, incompetence, mediocrity, or lack of maturity and judgment. So it is Lewis you have to deal with if you are to understand our predicament. He was superb.

When Sherpas offer proposals that consistently do not work, you can be sure that the challenge was above the individual and the personal. That is how you find out. It is the biggest compliment we can pay to Sir Arthur that we cannot hope to escape him if we are to understand what has happened and what has not happened in the West Indian economy. It is from eying him that we know what are system problems and real problems, or what is incidental an illusory.

To say that Lewis' whole scheme of industrialization has not worked is not an indictment. Not of Lewis or not of any of us. It is not a charge of any kind. On the contrary, it attests to the order of challenge we face in reconceptualizing and in reconstructing the history of the West Indies, after nearly 400 years of which we have been in charge for only 50. Not long.

It witnesses the quality of what Lewis must have brought to the task that his influence has been pervasive and enduring. Half of Fletcher's 1996 paper is saying bring Lewis back. I am appalled that many do not see this, though I did not realize it. I did not realize it until comparatively recently when a whole literature sprang up to defend Lewis as if he somehow needed help. To acknowledge that he was wrong, on many if not most counts, is unavoidable. Not only if we are to go forward from here, but to establish the rank of the opus and its sublime merit along with his very grave limitations.

It was only a year ago that I came to settle my mind on all these questions when the Governor and Staff of the Central Bank of the OECS kindly invited me to deliver the Lewis Memorial. As on this occasion in Kingston, I spent a whole week in the hotel going over the literature with a fine tooth comb.

My conclusions were still emerging in Basseterre, and I was so tired that I did not get it right until after I had spoken. It's often like that. [*Laughter*] You do not understand what you intended to say until you say it. Any political speaker will tell you that. For most political speakers, it is the second time they give a speech that they reach the high point. The first time you sort it out, the second time you're flowing. So I was in Basseterre and I wasn't ready for it, but I'm sure now why Lewis holds his place in the firmament.

Adlith Brown and Havelock Brewster wrote that "The study of economics in the Caribbean began in the early 1960s with attempts to refine the assumptions of neoclassical Keynesian theory in specific areas." So you see they were implying that Lewis was not a West Indian economist. West Indian economics began in the 1960s. In 1960 in a review of Demas's book, *The Economics of Development in Small Countries*, I myself described him as the first West Indian economist. That has since been taken expost as an attempt to exclude Lewis. It was no such thing. I never thought of that. Epistemically, Demas's groundings are in West Indian materials drawn from the West Indian environment. His writings arise organically out of the experience of this place. Lewis was the quintessential West Indian professional and intellectual of his time. But his model was anchored in Ricardo and the English classical economists.

Economic Development with Unlimited Supplies of Labour was based on two domestic sectors: agriculture and

industry. The surplus in one served to fuel investment in both sectors and, by extension, in the overseas economy, via the external trade account. The surplus was expressed in terms of corn not consumed. That was the English experience cannily tailored by Lewis to apply wherever there was the possibility for agriculture to combine with manufacturing to create structural interdependence and provoke the migration of labour; but that process had nothing to do with the West Indies. Lewis was too good. Quite rightly, he was dealing with the world economy, because we needed a strategy for all the countries that were still to industrialize.

It is because Lewis did what he did that we got our independence. Mr. Manley said so; not me. Norman! [*Laughter*] He said we had to prove our fitness to rule, as Lewis and Williams and Manley did. But because they have already done it, we don't have to do it now.

The postulates of the Lewis model were clearly mistaken for the West Indies. That is why our best man was not a West Indian. It is nothing other than that. His empirical groundings were somewhere else. The English process was predicated on unstated Adam Smith assumptions. The population was assumed initially to provide its own subsistence. Through its own entrepreneurship it would graduate to a diversity of branches of industry at home and to active participation in the global order through the sale of surpluses and the pursuit of international trade and investment.

West Indian conditions were the antithesis. Our economy was founded by absentee investors. Individuals were brought to work as proletarian labourers and clerks in the externally propelled and completely export specialized economy. A far cry from England.

The Caribbean economy did not have any export enclaves. For a long time, the export sector was the only sector. Virtually everything we produced was exported and everything we consumed was imported. Our people prefer saltfish to fresh fish. We prefer sardine to guabin. Everything from outside is preferable to anything from inside. This is not because our people foolish, or something wrong with us. There are sound reasons for this and we have to deal with them empirically for what they are!

Production for home consumption, when it began, formed part of export activities in the plantation for Sunday market. The residentiary sector could come into existence only when its host broke down; when all the preference maps behind the curves of supply and demand had already been set. It is Beckford who was right, not his critics. Havelock Brewster and Adlith Brown were wrong when they queried Beckford's designation of the whole of the agricultural sector as a plantation, notwithstanding appreciable non-plantation activity. Beckford understood that the important thing was that the whole economy was founded as an externally propelled and excessively export specialized economy. And it is that "offshore" economy which created the economy "onshore".

As Dr. Vanus James has pointed out, Lewis, as one would expect, both from his copious work on West Indian agriculture and land reform issues, and from his scientific predisposition, had a complete purchase on the limitations set by initial conditions and by the founding matrix of Caribbean society. Nonetheless, he could only employ the tools in his possession at the time, especially since he was so ingenious and so adept at extracting sense and at making a whole out of parts that did not really fit. He was also in a political context. It was strategically necessary to know what and what not to highlight.

Lewis is really the father of the Demas idea that the main features of the economy and society are smallness and openness. The view is hard to sustain, I find, but there is scarcely a professional or a popular interpreter who does not now repeat it almost ritually. Bernal is not the first or the only one to see the smallness of states and of firms as cause for alarm, though some of us prefer to see these things as a cause for celebration. I certainly do.

Lewis first persuaded us that small markets were a problem for manufacturers. And he was right. But why should small countries which already enjoy the economies of intimacy and the face-to-face compulsions of democracy and participation, ever consider manufacturing, where the vast economies of scale might not be as important. Right? Where the vast economies of small scale might not be as important as the vast economies of large scale? There is no law that says we should manufacture. Let's do something else.

On this question of small scale, Demas was the most distinguished of Lewis's disciples. Not only did he elaborate a full theory to focus on size as the crucial variable, he also inherited the task of actually creating the "customs union", the Caribbean Single Market and Economy. With McIntyre and to an extent with Ramphal, he sought to secure economic assistance and protected markets even further afield with Lome, Caribbean, CBI and the G3 (comprising Venezuela, Colombia and Mexico).

At the CDB, Demas pursued Lewis's policy towards small business in smaller islands, partly in furtherance of ideas on entrepreneurship the President of the Bank had enunciated in 1973. Demas was also very much under the influence of the Lewis idea that the economy could be managed, as Fletcher said, by reference to the four variables of exchange rate, trade policy, incomes policy and productivity. On the position, Fletcher is

enthusiastic. In fact, like so much else in this post war model, these were wholly unobjectionable instruments. I have no problem with them, even if they stood no particular chance of informing successful action in the West Indies for reasons we shall see.

What is striking was the magical way the challenge was reduced to a few essentials that any old minister could track without reference to any theoretical model that might raise awkward questions - which I'm afraid we do have to raise.

We cannot put simplicity and lucidity before complexity when the challenge is to unravel the conundrum and to come to grips with the real business. The problem was that these policy instruments have never hung together because there was never any overall system of institutions into which they fit to bring out the problems of culture and of the place you are in. Because the macro was never elaborated as a complete scheme anchored in institutions and culture, we kept being surprised by what people actually did, including the policy makers. In the West Indies we seem always surprised and then we react as if the politicians or the wage workers were irresponsible and cussed; or as if the households were profligate and refusing to save.

But should we be surprised? If they are doing it all the time, we have to find out why. We can't keep saying they are doing it, they doing it, doing it. [*Laughter*]

Perhaps Lewis's biggest error lay in the firm he postulated; or that he did not postulate. He, himself, was a little surprised that the multinational corporation he got was not what he expected. It was Galbraith's modern industrial corporation expanding overseas and not the Marshallian large company with a few branches in the colonies. The MNC is a completely different animal from what Lewis anticipated. He took a chance and predicated the

viability of his whole scheme on foreign investment driven by outfits quite different from what Bernal is now seeing, outfits that are not necessarily minded to export from any given location or country.

In the context of the West Indian experience with the joint stock corporations which organized slavery and plantations, the tactic of “fawning” on foreign investment could scarcely have promised any outcome but to perpetuate the externally propelled economy. Not unless a whole new regime of business organization with adequate safeguards were somehow instituted. But Lewis did not think this one through and it has been fatal. Dr. Terrence Farrell is in general inclined to blame the underperformance on the administrator rather than the theorist and policymaker. But the one thing that he was appalled by and could not fathom was this firm that Lewis expected to drive the whole process.

Part of the problem of the model of industrial development is the concept of labour availability at a constant wage rate. Excellent as economics, but impossible as culture. Such an approach to wages was not only certain to encounter trade union militancy. It invited it. The idea of a labour-intensive economy, even an evolving and temporary one, does not fit the proletarian ethos displayed not only by West Indian labour, but also by West Indian capital which behaves no different from West Indian labour. You hear big businessmen with plenty money in their pockets saying “gimme what is mine and let me go”. [*Laughter*] Just like a worker. “Gimme what is mine and let me go”. The proletarian attitude is the same. The short view is universal in the West Indies. Richard Pares has suggested it is the main legacy of the golden age of the plantation. Even owners of businesses are irresponsible enough not to accept low returns now for high returns later. And I don't mean irresponsible.

Unresponsible is when you do not know that you have to be responsible. Irresponsible is when you know and you flout it. [*Laughter*] So I'm not indicting anybody. I'm dealing with a "system" problem that we cannot escape dealing with.

These economists don't understand very much. We have to deal with real problems of a whole people in a definite place; with every aspect of their lives whether politics, economics, sociology, psychology or philosophy. All these things have to be properly dealt with. And you can't expect some simple economic models to deal with these economies. I walked out of the university for that reason. And when they promoted me I told them where to put it. [*Laughter*]

Something has to be done to come to terms with patterns of behaviour that are anchored in the system. Because of the way the West Indies was founded and grew up and run all these years, our people behave in a certain way. That is not something to complain about. It is datum. It is scientific datum. That's what we have to start with. Harker in particular has reported on the industrial relations climate as well as the context to industrial activity, that governs the real wage rate.

On savings, Lewis might also have been wrong to change his mind. He once expressed the view that the West Indies could generate all the savings it needed and he took pains to make it clear that development depended on policy and markets as well as resources, including investible funds. So savings are not enough, even if you have them. But in some ways, to procure savings at home ran counter to his whole thrust to which foreign investment was central. Especially after 1960, Lewis repeatedly complained about the low savings rate and the absence of thrift. He made savings too strictly a function of incremental income, in

pure economic terms, if you want to put it that way. He did not see that the level of savings could and did vary with factors on the supply side; such as ownership which gave people the opportunity to put in sweat equity and raise the level of capital investment by work.

He himself had pointed to the high rate of accumulation and entrepreneurship achieved in the nineteenth century by free blacks immediately after Emancipation. So if our economists see data that suggest that we are not saving, they have to ask how can these people who saved so much after Emancipation are not saving a hundred years later, when there are many more opportunities? It can't be right.

Derek Walcott says he has a "tatta" detector. You know what that is? Think it out in Jamaican. I know it as a Trinidadian. [*Laughter*]

We did not quite see that saving is also affected by factors on the demand side of the capital market. Saving is a very complex phenomenon, affected on the supply side and on the demand side. Factors such as the availability and quality of financial assets and instruments and the working of financial institutions are perhaps more crucial in the West Indies than is normally allowed. The underlying issue is that we have not been armed with a framework which shows why savings appeared to be so low when our people showed such thrift in the nineteenth century. I grew up as a barefoot boy in Trinidad among obsessively thrifty Barbadian canefarmers. I have always regarded the national accounts and the financial models which report or postulate low savings rates and low R&D as half-educated propaganda.

Finding an Epistemological Framework

I spent forty years trying to explain what has really been happening. I first sketched the interpretation in my Arthur Lewis Memorial last November. The reason the profession has not queried so many sacred cows is the absence of any framework within which the whole range of macro and micro choices could be systematically and strategically appraised. Lewis did not have such a framework either; but he is twenty-five years older than we are, or whatever it is. And he was so good in his time, which is all that he needed to be, that he could manage and succeed in carrying us all with him.

One result is that no internally consistent set of positions could be taken in regard to fiscal, monetary, trade and exchange policies. I find it possible to agree with almost everything everybody says because of the level at which issues are posed - without history. Without a complete schema we are effectively restricted to pronouncements which fit neither the financial nor the real. We are unable to follow through how the Dutch disease actually works in the natural resource economy. Or to track the consequences of oscillating terms of trade? Above all, it is difficult to effect truly strategic choices among activities, sectors, and branches, and therefore to identify priority measures. Lewis underwent a major change of heart in relation to which sector should lead. He thought about all these things. In his paper on industrialisation, you'll see the activities he selected. He looked at costs and at availability of raw materials. It's a tremendously detailed piece of work.

Both Kari Levitt and Eric St. Cyr are convinced that Lewis first meant to give the priority role to agriculture. He agonized over it. This would have implied a whole different path for entrepreneurs, for saving and for investment. Remember that his

model is predicated on a shift to profits. His programme specifies a whole range of fiscal incentives, in the form of tax exemptions, allowances and holidays, with the aim of boosting initial rates of profit. Vanus James claims that Lewis may have overestimated capital requirements for startup. James has discussed saving as a possible function, not of profits, but of wages, and of the own-account incomes of unincorporated enterprises. This implies a different type of flagship firm, a different process of accumulation and a different profile of new growth sources. It implies a definitive abandonment of Ricardo, the English experience and the shift to profits.

St. Cyr all but says that the Lewis scheme fell down because, in the final analysis, the schema of expansion was only partly and implicitly articulated. The great failing is that it did not face up to the fundamental cleavage by which the economy and society were divided and rent in two. Lewis was content to postulate a modern and a traditional sector. In some ways this translated into a new dynamic manufacturing sector and a traditional residuary agricultural sector. Which was both legitimate and useful, so far as it went. But from many points of view, what the specific West Indian situation demanded was to pit the plantation sector, founded in slavery for the purposes of absentee, foreign investors, against the residuary sector, founded after emancipation by us, the free population, for the purposes of the domestic and national economy.

The modern terminology distinguishes offshore from inshore (or onshore) especially where marine petroleum and natural gas have become the only staple export. Instead of the old staple sector and residuary sectors, we now call them offshore and inshore. Though the offshore economy has been infiltrated by national stakeholders and even shareholders, it operates economy exclusively to export natural resource commodities and to earn

income which is denominated in foreign exchange and which accrues as factor income going abroad. The inshore sector is founded by settlers seeking to produce for their own provisioning and aiming to sell autonomous non-commodity exports. So that the first claim is not factor income going abroad but retained national income denominated in domestic currency. There were all sorts of reasons for which Lewis could never even have been expected to embark on a project to establish an internally consistent theoretical interpretation, or a planning and accounting framework in which the central challenge would have been to pit plantation against residuary and compel integration between offshore and inshore.

St. Cyr has helped us to understand his options. Quite apart from the state of data and the state of theory at the time, it was simply not practical or pragmatic in the 1950s to envisage that the plantation land could be transformed into a dynamic food producing sector. Before Independence that was a non-starter. Even after Independence, there have been few radical land reform schemes. How could we have expected the British to permit it? Lewis understood the limits; he was smart. It made good sense to propose an industrial programme which could be sold to both Government and people. And which might still have worked — to an extent. You can't expect everything to work whole. If you can't get the whole cake, you take half. And that is what was done. We have taken half. And we have survived. What are we going to do now?

Lewis was clearly in his time as much a “radical” as any of us since. Selling industrialization even to the departing British was not easy, but his advocacy of it implied both more glamour and more pragmatism while still promising the colonizer a good slap in the face. It is easy to see why “industrialization by invitation”, as it has been caricatured, has survived until the present, even if it is a

little diluted and is presented now as a requirement for globalization. All our commentators, with the exception of Owen Arthur, think that our encounter with the global order implies mostly that we create an environment attractive to firms capable of competing. Bernal's suggestion was that we dispense with the notion of national ownership. When I see him, I want to tell him he must be crazy! [*Laughter*] This is a far cry from what Lewis had had in mind. His programme was a tactic aimed to unleash the creative genius of the West Indian people.

Into his model Lewis built a dynamics for local saving to grow and for local entrepreneurs to emerge. Everything that we want to do now, he wanted to do then. He wanted our local entrepreneurs to learn the tricks of the trade. It did not work! But it was the right error. Many of the economic and business ideas we still hold to now at the start of the twenty-first century trace their origin to Lewis. His schema was not able to meet the requirement. Nevertheless, it was endlessly fertile in its time and remains endlessly provocative today.

What is to be Done?

What, therefore, is to be done, ladies and gentlemen, Mr. Chairman? After all that, what is to be done? What the West Indies needs are economic and business ideas which would reconceive and reconstruct the region after fully two hundred years. I find it a cause for rejoicing that one generation of ideas has brought us safely to a new moment of choice, but they have not succeeded in altering the essence of gratuitous vulnerability on our part. It is perhaps significant that even our best commentators on the global challenge scarcely draw the distinction between outcomes that are inherent in the condition — which are important — and those which are attributable simply to being unpre-

pared or underprepared — which are decisive because it is up to us to reverse them as soon as we decide to assume a responsible stance.

The strategic requirement is to penetrate the mystery of the economy's workings on the premise that they have less to do with smallness and openness, more to do with institutions and culture, which is to say, with leadership, management and strategic vision which we can provide. The issue is not nature but human intervention. It is not they. It is we. We alone are our problem. Let us get that very clear. We alone are our problem. The challenge begins with the responsible elites. Not necessarily privileged elites, but elites required by their place in the scheme of things to be lucid in the face of all the obfuscation and all the stifling detail of globalization. Especially in the University, we must focus on the issue.

We have so far refused to unravel the epistemological problem of knowing, of being aware in a particular context of being and belonging. We are not living in Europe. We are not living in South or North America. We are living in a particular civilization and culture. Between 1948 and now, why is it that the University is distilling so undifferentiated a product that two hundred thousands students are not coming here every year from the North Atlantic to find out how, over five hundred years, we have adjusted to the vicissitudes of the hostile environment? That is our specialization. Globalization was born here. We had a complete export specialization. Exporting commodities is what we've been doing for five hundred years! Should we not know something about it?

Why aren't we bringing students here and teaching them globalization? They go to Harvard, Princeton, Stanford, Yale, London, Cambridge, Oxford, Paris. These universities attract

many thousands of students from every part of the world. But nobody comes here to the West Indies. Ask yourself some questions Why is it that nobody comes here? Why aren't we selling intellectual services? Why are we not bringing in foreign exchange? Don't tell me any foolishness about a hostile social climate.

Why is it that all these genuinely bright and eager economists and other social scientists have developed no appropriate model? In a seminal piece, if a little wild, just published in an important book edited by Glenford Howe on **Higher Education in the Caribbean**, young Don Marshall of Cave Hill says that the footnotes have become the text in the Faculty of Social Sciences. "Students are not taught what they need to know. There seems to be a persistence in using models that are consistent, clear and wrong"! [*Laughter*] Marshall is saying it, not me. And he has charged cowardice, self-intimidation and silence on the part of the Faculty. I would deny that. But if it is correct, and I doubt it, I judge it to be only symptom. That cannot be the cause of anything. Just like saying that politicians are responsible for all our ills. Can't be the cause. To my mind, the corruption and the violence can only be symptom of a more deep-seated maladjustment. So we have to get to the root of the problem.

Perhaps our response to our own condition has to do more with the structure of our self-esteem and the pattern of reward and recognition I think. How can there be a crisis if Marshall can see the problem? And if we thought there was a crisis, then the response is to intervene intelligently. And then immediately the crisis is over. The real job is to select those strategic measures we need to equip the economy, society and polity with - so we could face up to the world on our own terms and with our own resources. These can only derive from a model that identifies the blockages that have come down to us from the past.

Here we can only sketch a view of the economy. The approach falls under three heads. The first thing is almost an orthodoxy now. It's obvious that the offshore sector has always driven the process. The task is to erect an inshore sector, as we have defined it earlier, to replace the offshore sector or at least to reduce it to subsidiary proportions. This implies a systematic and sustained harvesting of resources and transfers in such a way as to achieve the optimum rate of inshore growth and transformation. But everybody understands that. The mechanics involve infiltration and ownership; milking of income partly by taxation to maximize retained national income partly by developing a techretarial capacity to gather information, to shape strategy, to prompt negotiation and bargaining over the reinvestment level offshore so as to monetize the natural resources in a way that would not kill the goose.

All this is old hat and comparatively straightforward as concept. There's much we have learnt over the fifty years since self-government. The challenge now is systematic implementation.

That brings us into a whole new realm where the politics must settle down which it can do only if we come to master the working of the system of government and politics in the same way we understand how the macro economy functions. The second requirement is to monitor the way the workings offshore have been stunting the development of activities onshore. There is the effect on the price of inputs exercised through purchases mainly of labour. However, such purchases are declining in importance. Also critical is the effect of revenue injections, their impact on expectations and leaders on the behaviour of households, firms, unions, workers, government and politicians as well as consumers and investors. Unless we follow these effects through, it is hard to proceed simply to develop manufacturing, agriculture, etc.

In short, there is a reason our manufacturing sector has not performed as hoped. It has to do with the selection and sequence of investments following on ups and downs offshore. Much has been made of our response to fluctuating terms of trade and price oscillation. What we face here is a whole pathology in our responses to rising export prices, earnings, and incomes. The Report of the Demas Commission of 1983 in Trinidad (*Imperatives of Adjustment*) listed many distortions arising not only from the direct impact prices, wages and costs ruling offshore exercised on the capacity of tradeables to survive without protection, but also from the indirect effects on spending patterns in general, on encumbrances incurred, on expectations or risk assessment and on entrepreneurial choices as income rises and falls.

Much depends on whether export earnings are responding not only to changes in the export price but also to new investment and changes in output, as is the case now in Trinidad. Where capacity is mature and only changes in price are instrumental, as in the 1970s, the consequences are in some ways of a very different character. A huge increase in spending capacity takes place without any prior expansion of capacity for production.

All this is interesting, but essentially familiar. I raise it only because I am satisfied that it calls for a complete rethinking. The Dutch disease achieves proportions amounting to a Caribbean epidemic or plague! It therefore compels us to go beyond mere business cycle theory and countercyclical management. It is not enough to track fiscal injections or contractions and their impact on liquidity and on monetary management, the kind of adjustment and stabilization trivia promoted by the development and lending agencies, with all due respect to my friend and colleague here present, Ewart Williams. [*Laughter*]

The relationships behind these terms of trade oscillations go back hundreds of years. They have formed preferences and tastes that dictate another kind of investigation and research. We do have to discuss prices, of course. In her *Marronage* article, Kari Levitt has shown that the issue was posed more than thirty years ago by the two of us, as one of “incalculability,” a concept I had borrowed from Douglas Hall. The power of the transnational corporation goes back to the legacy of the total institution that the plantation was — and to the pervasive presence of the latter, insisted on by Beckford, where only the offshore sector existed. It means that inshore activity is completely a price-taker. This is fundamental. Contrary to what is assumed by Adam Smith, David Ricardo and Arthur Lewis, it is the international price that always rules. Comparative advantage requires two sets of prices. That is how resources switch back and forward in response to terms of trade changes on both internal and external account. But the brutal reality in the Caribbean is that only the external terms of trade rule.

Bernal and Fletcher are quite beside the point in making issue of a comparative advantage which they are saying is enjoyed by firms rather than by countries. I don’t know what that means. And it doesn’t deal with the heart of the issue. Levitt is emphatic that the result of these arrangements is underproduction of the wage-goods and services that the population needs from agriculture and manufacturing, even while there is spare capacity and resources are lying gratuitously idle. Jamaica is the clear case. That is why I have suggested that governments incarcerate and burn at the stake experts from lending agencies [*Laughter*] who counsel getting prices right, including Fletcher and Williams. [*Laughter*]

I am kinder to my colleagues and friends who think that the issue is smallness and openness, when in fact, it is culture and

structure. We have to go beyond prices and adjustment to plumb the depths of taste and preference maps, meaning conditions of demand as well as conditions of supply. Meaning not so much the efficiency of markets, as their existence and their nature. The foreign exchange market is a case in point.

Can we avoid acknowledging some ritual ways in which consumption and related patterns of consumer-investment perform, as expectations change, in reaction or response to revivals or retreats of offshore investment, production and prices? When consumption in the boom induces investment and generates fixed and abiding employment, the downturn does not stop the consumption. Not if borrowing is possible. That is what happened in Trinidad in the 1980s. And Jamaica two decades earlier.

Every attempt is made to postpone adjustment and it is not because policy makers are bad or irresponsible. They do it because the preceding consumption has led to investments which generate employments they cannot readily undo! So instead of telling all those people to go home and sleep, they borrow! Quite rightly. [*Laughter*] And all the other things we did in Trinidad. We stopped saving, we rescheduled and sold off assets to pay the current bills. Jobs and families were involved implying an intractable social and political situation.

So the consumption dynamic is something we have to reckon with. It's not only the prices of tradeables, as I have been fortunate to learn at home though not in the university. I find that Trinidad is a marvelous laboratory, especially since I left the UWI in 1976 and became unemployed. [*Laughter*] People ask me ritually: what are you doing, now that you are unemployed? I've been unemployed for twenty-four years and they still can't find out what I'm doing. [*Laughter*]

All this is interesting, but it remains essentially of the second order. I just raise it in passing. Even if it holds the clues to a very great deal that we need to know, including stagnation in the long run, and maladjustment in the short run, it still does not go far enough to select the features of the system which make the difference and which cannot simply be derived from conventional economic analysis without also adducing some wider theory of Caribbean society. This is what I will conclude with.

The features are three. First, the fact that the Caribbean people are not autochthonous and did not arrive as communities of settlers and proprietors poses the problem of “ownership” and management in ways quite different from the manner it is posed in any other part of the world. The issue is responsibility, first, the discernment of it and then the acceptance. Any solution has to begin from a view of all our people as legitimate stakeholders and shareholders. Both Moyné and Lewis — always Sir Arthur is there, seeing the right thing — noticed that landholding was almost a fetish among the West Indian people before 1930, in the nineteenth century. This implies a proprietary regime of ownership which, in some appropriate way, must resolve the proletarian issue of peoples who have had nothing with which to negotiate but their labour and therefore develop few notions of being responsible and in charge.

Second and related to this is the matter of an appropriate level of popular participation in business. Bernal thinks he can simply dismiss this as if it were mere ideology. The present orientation seems largely given to us by the traditional labour regimes, especially slavery. The growing call all over the world for reparations seems to be a groping for a response to this problem, but in a way that could well be beside the point. We have to go beyond casual schemes of employee stock distributions, giving some shares to unions, and so on. And we have to embrace

systematic equity ownership for the whole country, as a shift to a whole new dispensation of belonging from which to derive important benefits in the form of a different popular approach to responsibility and work.

The third string to this bow envisages a whole new scheme of schooling and education. Everybody talks about it in a kind of concerned way. Owen Arthur rightly sees that a radical, new school programme is an important new step, but that response may still fall short of what the issue really is.

The main effect, if not the purpose, of the school system in the West Indies so far, has been to lead the individual away from self and from any sense of his or her institutional and cultural environment. This is our epistemological problem. For survival and in order to gain independence, we have had to prove we were somebody else. We cannot now dismiss the real gains we have had from doing that, but, had we been able to estimate the costs in advance, we might not have taken the chance to do what we have done. We might have concluded that the costs were prohibitive, because those costs have been colossal, of our becoming little Englishmen in all the ways that we have become. I mean all of us, not simply the responsible and validating elites. Without exception, everybody has been engaged with the churching, the schooling and so on. Perhaps, it's not so bad after all because we are now free; we are alive; we are kicking; we are not devoid of all resource. We have gained experience and we are in charge, fifty years down the road. We have traveled safely up to this point, and we have survived to pose the issue of choice at the beginning of the twenty-first century. That is now. It was quite different when the 19th century began in 1840 and lasted until 1950. At that time, when it mattered, what did we do? We all opted to become Afro-Saxons. And what is an Afro-Saxon?

An Afro-Saxon is an African practising European institutions and operating European culture in America. [*Laughter*]

The final question, therefore, is this. How will all of this experience be translated into operations today? There can be only one way, I think, for the simple reason that, in the economy, the doing part is the firm. Everything has to start there. Sir Arthur did not fail to see that the foreign firm could take us only so far. We have no choice but to create a new form of business organization, as the Japanese did, as the Koreans did, as the British once did, in their time. The British invented the company listed on the Stock Exchange. We have no choice but to create a new form for ourselves. Everybody who is going to make a difference has to create a doing part that works for them. One which would not only resolve the match between investment financing and production possibility, but would also seek a simultaneous solution to the three major problems that we have. What are these problems?

First, education, schooling and apprenticeship, so as to link the humanities with science and technology, and reunite formal instruction and cognition with native intuition and insight. We have to have a school system that does that; but our school system fails dismally in that regard. Second, ownership and belonging by a people which is only now inheriting the place and its responsibilities so as to change the initial terms of settlement. And thirdly, terms of labour participation which would change the ethos of unresponsibility and unleash new forces of creation and production, above all, in the areas of cultural and intellectual services, under the aegis of what Owen Arthur has called “intelligent” exports.

These are the designated tasks I want to leave with you, for a designated institution. The firm is the doing part. We must,

therefore, make it do. We already have conglomerates and even transnational corporations of West Indian origin and culture that cannot be sneezed at. Some of them are already reinventing themselves and making new links between the financial sector and the real sector. Between the offshore sector and the inshore sector, and between the different jurisdictions within Caricom. These firms must be encouraged to play big brother to the large multiplicity of small enterprises seeking succour, and extension services during setup and during startup and even much later. So we have to envisage a firm which would have a core. A core holding company, if you like, which is at the center of a conglomerate, with many large entities operating, like now, and many embryonic firms being nurtured, being brought up owing to the fact that we are providing them the required extension services — the managerial help. We are apprenticing young people in them and giving them scientific and technological training. We are helping them with research. The State is never going to do that in the West Indies because the State is not only democratic, which is excellent; it is also populist, which is catastrophic. It will always do the easiest thing that doesn't work. And it's not because the politicians are bad men. It is due to the politics we've inherited. So we need a firm to do it, or some other entity.

Our case for private investment is not the case made by the IMF or the World Bank. They don't understand one thing. The case for the private sector is the case I'm making. Only the private sector can do the things we need to do, specifically three things. They have to bring up this large multitude of firms. Public policy must help to make all of this possible. It must help reshape the institutions and the agencies into the actors we need. We have to orient fiscal policy, company law, the securities and exchange legislation. I've worked out all these things for another occasion. The Foreign Investment Act can also serve to alter the orientation

and terms of establishment and involvement of the foreign multinationals.

The state and the nation will take new forms. I don't believe any of that business that envisages the state disappearing. We are being told that by states that are themselves going to remain and endure. It is odd that it is the devotees of globalization and liberalization who are saying now that the nation state is going to disappear and wither away. The ideologies come as much from Right as from Left. The state and the nation will take new forms, as they have always done throughout the centuries. But why should they surrender and die? Why should the West Indies surrender and die when we survived the Encomienda? Slavery? Indenture? Colonial rule? Is there not enough space, I ask you, ladies and gentlemen, Mr. Governor, Mr. Chairman, for small countries to compete in the global order? If not, then it is our duty to make such space, through our own initiatives and interventions.

Wilson Harris, the poet and novelist, has reminded us of the solution we invented in the Middle Passage. He called it the *limbo* solution. What is the limbo solution? The limbo solution is making space where before there was none. All we need now, ladies and gentlemen, Mr. Chairman, are acts of penetration, acts of vision, and above all, acts of will.

Thank you, very much. [*Applause*]

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