

Launch of Levitt book

Reclaiming Development: Independent Thought and Caribbean Community.

(Ian Randle Publishers, 2006)

Norman Girvan

July 5, 2006

30 years ago, economics in the Caribbean was much more interesting than it is today. It was concerned with matters like growth and transformation, distribution and equity, local control and participation, industrialization and agricultural development. Mathematical formalisation and econometric testing were not 'dissed', but it was accepted that they needed to be grounded in the institutional and structural realities of the Caribbean.

Today much of that attention to context has disappeared; and economics itself has largely been replaced by finance as the career of choice by many of our best and brightest young people. To quote Professor Levitt

The disjuncture between the real economy and the burgeoning of financial institutions in the region is replicated by an intellectual disjuncture between the economy as modeled in the classroom, and the economy as daily experienced by the population. Narrowly defined models of economic behaviour based solely on rational self-interest, devoid of institutional context, whether presented conventionally or in mathematical form, cannot address the real and urgent economic problems of the region. Additionally, the methodological individualism which underlies these models contributes to a socialisation

process which emphasizes private agendas of career advancement over the larger social concerns which motivated past generations of Caribbean economists. Years of official tutelage of public policy by international multilateral agencies have eroded the critical faculties of the profession. Mimicry and dependence on 'ready-made' doctrines based on simplistic assumptions of 'homo-economicus' have displaced an earlier institutionalist tradition of Caribbean economics which sought to understand the persistence of economic underdevelopment in terms of societal structures inherited from the plantation legacy. Notwithstanding the shortcomings of that approach, it had the merit of pointing toward independence of thought as the critical step toward breaking patterns of dependence, and unleashing the creative capacities of all the people of Caribbean societies. **Pg. 358**

This is one my favourite passages in a book that is replete with favourite passages! Not only does it sum up our present predicament with great clarity and eloquence; it ends by pointing to her central contention; which is that the reclaiming of development equally involves the reclaiming of independent thought. The title and subtitle of the book are thus organically related; and although they may appear, at first blush, to be somewhat immodest, we are forced to conclude, on further reflection, that no less a task is required.

Only last week, for instance, Prime Minister Arthur of Barbados was speaking about the tremendous intellectual ferment that existed in this region in the 1970s, and was lamenting its absence today, and talking about the need for a rebirth, a renaissance, of the tradition of independent and critical thought.

Indeed, one of the pernicious consequences of the changed intellectual climate is the virtual disappearance of development issues from the agenda of public discourse. Our leading newspapers across the region, feature, on a weekly basis, special supplements on finance and business; but hardly

anything at all on issues of development. The subliminal message is that what is good for the financial sector is good for the economy as a whole.

But surely *money* is not the same thing as *wealth*; and managing money is not the same as creating wealth, it merely redistributes wealth that has already been created in the the real economy. To believe otherwise is to fall prey to an illusion, a fiction, analogous to the fictitious commodities of land, labour and capital that Karl Polanyi, Kari's illustrious father, wrote about.

The other side of the current fascination with 'financialisation' is a tendency to overlook the fundamental importance of the real economy, without which the financial sector would, quite simply, implode. In the case of agriculture, for instance, that sector has been neglected, relatively speaking, by governments, by young entrepreneurs and by the financial sector; to the point where Caricom as a whole spent nearly 1,500 million US dollars on imported food in 2004; compared to just over \$1,000 million in 1995. This is a 50% increase in less than 10 years! In the meantime a large part of the rural population in the region languishes in persistent poverty; and the agricultural sector as a whole, across the entire region, has been at a virtual standstill for decades.

Trade agreements, and their implications for development, is another topic that urgently needs to be placed on the public agenda. There seems to be very little public information and public awareness of what the WTO negotiations and the EPA negotiations might mean for the policy space we have to pursue development options of our own; in areas such as the fostering of agriculture and industry, the provision of social services at

affordable cost, the promotion of public health, the nurturing of local entrepreneurship and of research and development.

A couple of months ago the Caricom Trade Ministers took the unprecedented step of issuing a public statement in which they lamented the failure of the European Union to make good on its commitments to make the Economic Partnership Agreement now under negotiation a true instrument for the development of the Caribbean countries; a statement which has, inexplicably, been virtually overlooked by the media and in public comment.

In the EPA negotiations, the Europeans are demanding all kinds of things that are quite unrealistic, and whose only rationale seems to be to open up the markets of the Dominican Republic and Caricom to European exporters and investors. They are demanding legally binding commitments on market access from Cariforum countries but are unwilling to give legally binding commitments on development assistance in return.

The other big issue that is coming up is the Free Trade Agreement with the United States. We are coming under pressure to negotiate a Free Trade Agreement with the United States because we are presently accessing the US market under CBI provisions, and those will be phased out soon, probably by the end of 2008.

But a Free Trade Agreement with the United States is likely to be modeled along the lines of the CAFTA-DR agreement, and this means a reciprocal arrangement under which our markets could be opened up to US farm products that are heavily subsidized, to manufactured goods, to service

providers; there will be heightened rules for the treatment of investment, for the protection of Intellectual Property Rights, rules to open up government procurement to foreign suppliers, and so on.

A Free Trade Agreement with the United States is not a simple matter to contemplate, it is far more than about trade. It provides for a whole set of rules that bind domestic policies. It is not something we should be entering into without a great deal of study of its implications and consultation with people, with producers who are going to be affected.

In other words, we need to see trade policy as the servant of development objectives; rather than simply assuming that trade liberalization will necessarily lead to improved allocative efficiency and hence to higher incomes and growth. One has a sense that these matters should be receiving more attention from the business community, the trade unions, consumer groups, NGOs and not least of all the academic community.

I must tell you that for me, one of the most valuable sections of this book is the Michael Manley – Kari Levitt letters. It is not often that a former Prime Minister in the Caribbean, engages with an academic in a public exchange in which he explains, defends and tries to justify decisions that he took while in office; controversial decisions. In fact if I am not mistaken this is the first time in our history that this has happened.

The exchange was over two issues. Who was responsible for the defeat of Mr. Manley's experiment in Democratic Socialism in the 70s? Was it the IMF, as Mr. Manley and his supporters, including myself, argued at the

time; or was it the squandered opportunities and political vacillation and economic mismanagement of the Manley Administration itself? Kari makes a very persuasive case that it was the latter; after all, the IMF had a job to do, and it did it. Needless to say Mr. Manley did not agree!

The other issue that was debated in the exchange was the decision by Mr. Manley's Government, after his re-election in 1989, to engage in a wholesale financial and exchange rate liberalization. This sent the Jamaica dollar through the floor and eventually precipitated a financial crisis, with the government engaging in a massive bail-out of the financial sector, and incurring a huge debt burden. The servicing of the debt absorbs over 60% of the government budget and is the major contributor to high interest rates that continue to choke the Jamaican economy.

Kari told Mr. Manley, in effect, that decision to liberalize the Jamaican currency was premature, irresponsible and even reckless. In the course of the exchange with him she wrote:

When you announced your 180 degree turn around ('During the 1980s, I turned my ideas on their head,' *Daily Gleaner*, May 17, 1992); when you declared your 'whole hog' embrace of the market, and admiration of the United States (*Daily Gleaner* May 25, 1992), and made the now famous statement that 'You just can't improve on Adam Smith', you lent the prestige of your authority to a socioeconomic model which has created a new underclass of poverty and dispossession in the world's richest countries. The market model, unfettered, deregulated and unleashed on a society of severe inequality, as in Jamaica, has further impoverished the poor, while enriching a narrow stratum of the commercial and professional elite. **Pg. 272**

Only Kari, perhaps, would have had the gumption to say this to a former Prime Minister, and manage to get away with it! But what is also fascinating about this exchange, is the insight it provides into the thinking that went into Mr. Manley's decision, for which he took full responsibility; and his reasoned defence of his conversion to market fundamentalism, which he embraced with all the conviction of a born-again believer. This is a must-read for everyone, it is really quite unique in the annals of our history.

There are many, many other gems in this book; waiting to be discovered by the discerning reader. There is just one other thing I want to say. I saw something in the paper yesterday about a 'Canadian economist' launching a book. Now I am trying to figure out who this Canadian economist is. I saw a picture of Kari beneath the headline, a rather nice one in fact; but to call her simply a 'Canadian economist' betrays, I am sorry to say, a complete lack of knowledge about what Kari is about. Kari has spent the better part of the past 40 years working on the problems of Caribbean economies, many of these years resident in Trinidad and Tobago and in Jamaica. Her work has influenced several generations of Caribbean economists and of graduate students; I count myself privileged to have learnt volumes from her.

Her collaboration with Lloyd Best on the plantation economy models, her work on the national accounts of Trinidad and Tobago, her role in bringing several generations of graduate students to McGill, including at least one former Governor of this Central Bank and the present Secretary General of Caricom; her stint at the Institute of International Relations in the 1970s and at the Consortium Graduate School of Social Sciences in the 1980s and the George Beckford Chair in Caribbean Political Economy in the 1990s; her

momentous effort in compiling and editing the George Beckford papers; her collaboration with the late beloved Willy Demas; —all these attest to the enormous debt that we owe to her, one that can never truly be repaid.

And on top of all that, Kari was spotted was playing mas' on the streets of Port of Spain last Carnival Tuesday, in full costume, at the ripe age of four score plus!

Kari Polanyi Levitt is every bit as West Indian an economist as any of us—I believe it was Lloyd Best who called her the 'West Indian from East Europe'--and I am really glad that this opportunity has presented itself for us to "big up" Kari, as we say, tonight and tomorrow at the special seminar held in her honour; and I commend the Central Bank for rising so splendidly to the occasion.