

W.A. Lewis, the Plantation School and Dependency: An Interpretation

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Abstract: This paper examines differences and similarities in the approach to economic development of the Plantation School of Caribbean economists and of W.A. Lewis by locating them within their respective theoretical frameworks. By tracing the evolution of Lewis's thinking in three stages from Caribbean industrialisation to the dual economy and then to trade and development, it identified a change in emphasis in Lewis's later work that brought him closer to 'dependency' explanations of underdevelopment, of which the Plantation School was an expression. It draws attention to Lewis's own perspective on the dependency thesis and the related thesis that imperialism is the cause of underdevelopment. The paper goes on to review the Plantation School's critiques of Lewis's industrialisation model for the Caribbean and its proposals for an alternative theoretical approach in the form of models of Plantation Economy, and compares this to Lewis's analytical framework to show the differences and similarities. The final section discusses the contemporary relevance of the comparison of the approaches of Lewis and the Plantation School.

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INTRODUCTION

Differences between the Plantation School of Caribbean economists and W.A. Lewis over policies for Caribbean industrialisation have long attracted the interest of scholars (Figueroa 1998; Benn 2004: Ch. 5). This paper examines the differences in the context of the respective theoretical frameworks that informed the two approaches. It suggests that a more complete reading of Lewis's work also reveals significant points of coincidence between the two, and suggests 'lessons to be learnt' from the areas of agreement and of disagreement.

The paper first traces the evolution of Lewis's thinking in three stages: Caribbean industrialisation, the dual economy, and trade and development. It suggests that there was a change in emphasis in Lewis's later work with respect to the implications of low productivity in the domestic agriculture sector of poor countries, which brought him closer to the dependency school. Here we also draw attention to Lewis's own views on dependency and imperialism. The paper goes on to review the Plantation School's critiques of Lewis's industrialisation 'model' for the Caribbean and its proposals for an alternative theoretical approach in the form of models of Plantation Economy, comparing this to Lewis's own analysis. The final section discusses the contemporary relevance of the comparison.

EVOLUTION OF LEWIS'S THOUGHT

Lewis's work on Caribbean industrialisation was one element in a body of work spanning the half-century from the 1930s to the 1980s. His work embraced issues of pricing in monopoly industries, the history of the world economy, the terms of trade, industrialisation, agricultural development, the role of institutions, the influence of culture, problems of governance and politics, and economic planning. In the Caribbean, Lewis also addressed issues in education policy and problems of political integration. The scope of his work reflects the breadth of his concerns and his interdisciplinary approach to the problems of development¹.

For the purpose of this paper we identify three stages in the evolution of Lewis's thinking on development. First, there was his proposed strategy of Caribbean industrialisation, otherwise known in the region as 'industrialisation by invitation' or simply as the 'Lewis model' (Lewis 1950). Second, there was his model of Economic Development with Unlimited Supplies of Labour, or 'dual economy' model (Lewis 1954). Third, there was his study of the trade and development in the late 19th century (Lewis 1969, 1978a, 1978b). He is best known in the Caribbean for his work on industrialisation and best known internationally for his dual economy model, but his later work on trade and development has received less attention.

Lewis's professional career was launched in the era of anti-imperialism, nationalism, decolonisation and the Cold War. In the late 1930s and the 1940s he had been an undergraduate and graduate student at the London School of Economics, a lecturer at the L.S.E, Secretary of the Economic Advisory Committee of the British Colonial Office, and Professor of Political Economy at Manchester University. During this time he had much interaction with other anti-imperialist students in the U.K, researched the colonial economic policies of the British Empire, published a study of the world economy in the years between the first and second world wars, and lectured to colonial students on economic policy issues for their soon-to-be independent countries (Lewis 1994a). In the 1940s he had commented on the Moyne Commission Report and debated economists from the U.K. Colonial Office on Jamaica's Economic Plan, in which he rejected the prevailing orthodoxy that a tropical country could not undertake industrial development (Lewis 1994b). Lewis was impressed with the success of Puerto Rican industrialisation policies, which he studied during a stint with the Caribbean Commission in the late 1940s. His proposals on Caribbean industrialisation were the culmination of this work

Caribbean industrialisation

Lewis rested the case for industrialisation on the over-population of the islands. Using data on long-term demographic trends, he argued that the land resources the islands had reached the limit of carrying capacity, that non-agricultural employment opportunities had to be created, and that this could only be done through the manufacturing industry. Surplus labour employed in manufacturing had a zero or low social opportunity cost,

therefore, on the grounds of the Ricardian theory of comparative cost, the West Indies should produce and export labour intensive manufactures, which made industrialisation feasible. However, national savings were low because national income was low, and further, local entrepreneurs knew little about manufacturing and lacked overseas marketing outlets. Hence, foreign manufacturers would have to be brought in to set up industries that would export to their home countries. To attract them, governments would then need to play an active role by setting up Industrial Development Corporations, building industrial estates and providing factory space at low cost, subsidising credit to investors and granting tax holidays. The model for this was Puerto Rico's Operation Bootstrap. Lewis argued that reliance on foreign investment would be temporary, since it would raise national income, which would increase national savings, and local manufacturers would eventually learn 'the tricks of the trade' and take over from foreign capitalists as the driving force in industrialisation.

The dual economy model

Lewis's dual economy model – 'Economic Development with Unlimited Supplies of Labour' – came four years later. It is often assumed that the model was the theoretical framework of his Caribbean industrialisation strategy, but this is to deny both the chronological and logical sequence of its development. Although it was in many respects implicit in the Caribbean industrialisation strategy, it was meant to have general applicability to over-populated underdeveloped countries. As such, it represented a theoretical synthesis of Lewis's work on problems of development in the Caribbean,

Africa and Asia² and of his study of the history of the world economy. By his own account, the idea for the model came to him during a mission to Asia in August 1952:

From my undergraduate days I had sought a solution to the question, what determines the relative prices of steel and coffee? The approach through marginal utility made no sense to me. And the Heckscher-Ohlin framework could not be used...

Another problem that troubled me was historical. Apparently, during the first fifty years of the industrial revolution real wages in Britain remained more or less constant while profits and wages soared. This could not be squared with the neoclassical framework...

One day in August 1952, walking down the road in Bangkok, it came to me that both problems have the same solution. Throw away the neoclassical assumption that the quantity of labour is fixed. An “unlimited supply” of labour will keep wages down, producing cheap coffee in the first case and high profits in the second case. The result is a dual (national or world) economy, where one part is a reservoir of cheap labour for the other (Lewis 1980: 3-4).

In the model³, Lewis equates development with growth⁴. The underdeveloped economy has two sectors: a capitalist sector that uses reproducible capital and generates

an investable surplus, and a subsistence sector that has a surplus of labour. (Later Lewis changed the names to 'modern' and 'traditional' sectors, to avoid confusing the two sectors with manufacturing industry and agriculture). Surplus labour enables the subsistence sector to release labour at a constant low real wage for the expansion of the capitalist sector. For Lewis:

...the central problem in the theory of economic development is to understand the process by which a community which was previously saving and investing 4 or 5 per cent of its national income or less, converts itself into an economy where voluntary saving is running at 15 per cent of national income or more. (Lewis 1954, as reprinted in Emmanuel 1994: Vol. II, 920)

For this to happen there must be a shift in the distribution of income in favour of the profits earned by industrial capitalists, the main source of productive investment. How this actually happens involves a study of the history, institutions and culture of particular countries. Lewis states that state capitalists (as in the U.S.S.R.), or foreign capitalists, can play the role.

This condition satisfied, the growth model starts off in the closed economy. The capitalist sector expands through reinvestment of the economic surplus, pulling labour out of the subsistence sector. At the point when all the surplus labour is absorbed, the wage in the capitalist sector begins to rise. The analysis then shifts to the open economy. Capital is exported from the economy where labour has become scarce, to another where

there is a labour surplus, where the process is repeated. As long as productivity remains low in the subsistence sector, wages will remain low in the capitalist sector. This means that where the capitalist sector exports primary commodities, the benefits of its productivity increases accrue not to the workers in that sector but to consumers, through the terms of trade:

We have here the key to the question why tropical produce is so cheap (Sugar) is an industry in which output per acre has trebled over the course of the last 75 years, a rate of growth of productivity which is unparalleled by any other major industry in the world – certainly not by the wheat industry. Nevertheless workers in the sugar industry continue to walk barefooted and to live in shacks, while workers in wheat enjoy among the highest living standards in the world. *The reason is that wages in the sugar industry are related to the fact that the subsistence sectors of tropical economies are able to release however many workers the sugar industry may want, at wages which are low, because tropical food production per head is low* (Lewis 1954, reprinted in Emmanuel 1994, Vol. II, p. 951; emphasis added)⁵.

The analysis here provides a crucial link to Lewis's later work on trade and development, which we discuss in the next section.

Several elements in Lewis's Caribbean industrialisation strategy are recognisable in the dual economy model: the Ricardian framework, the existence of surplus labour, the role of modernising industrial capitalists, a rising savings/investment ratio as national income grows, and the need for an active state in some circumstances.

Trade and development

After several administrative positions, Lewis eventually completed a study of the history of the world economy in the late 19th century that he had originally commenced in the 1940s. The results were presented in his Wicksell Lectures (Lewis 1969) and more particularly in his book *Growth and Fluctuations, 1870-1913*, (Lewis 1978a) and his lectures on the *Evolution of the International Order*, (Lewis 1978b), which summarised the findings of the book.

The book analysed an enormous amount of statistical information with the objective of “(studying) the extent and mechanisms of the spread of ‘industrial growth’ during ... the forty years before the First World War” (Lewis 1978a: 16). Lewis's analysis utilised the concepts of ‘engine of growth’ and the division of the world economy into ‘core’ and ‘periphery’ countries. His “prime concern (was) ... the response of the periphery to the engine of growth in the core” (Lewis 1978a: 16).

The core countries were identified as Britain, France, the United States and Germany. The periphery was divided into countries of temperate settlement and the tropical

countries. The core contributed to the development of the periphery by the provision of technology, resources (capital and people) and markets. Peripheral countries responded in different ways depending on their geographical resources; prior level of development in infrastructure, education, and technology; and institutions regarding the status of labour, the extent of the market economy, financial institutions and government systems (Lewis 1978a: 31).

Lewis concluded that the peripheral countries had two broad choices: to imitate the example of the core countries by revolutionising their manufacturing techniques, or to trade (Lewis 1978b). In the first option governments protected local industry, invested in human and physical infrastructure, fostered technological innovation, and supported a class of industrial capitalists. An agricultural revolution accompanied the industrial revolution, raising rural incomes, attracting European immigration, and setting a floor to the terms of trade for agricultural exports. This was the case of Canada, Australia and New Zealand.

In the second option, the policy privileged the primary commodity export sector: governments kept imports cheap and neglected manufacturing and domestic agriculture. Low productivity in domestic agriculture kept wages low in the export sector, allowing the terms of trade to fall over time. Hence the bulk of the population remained poor. This was the case of Argentina, Chile, and the tropical countries (Lewis 1978b).

Lewis's diagnosis of why the tropical countries failed to industrialise under the stimulus provided by trade is substantively within the framework of the open economy version of his dual economy model. Nonetheless his conclusions appear to have marked a significant shift in emphasis, for the focus of the dual economy model was on the analysis of the conditions of growth in the closed economy⁶, while the conclusions of *Growth and Fluctuations* show the greater relevance of the open economy analysis in explaining what happened to the tropical countries in the late 19th century. The low productivity of domestic agriculture together with government policy were the key factors explaining their lower levels of development *vis-à-vis* temperate countries in 1913. It is this that underlies the 20th century division of the world economy into rich and poor countries. In a sense, the theory of development presented in Lewis's dual economy model had become the basis for a theory of underdevelopment in *Growth and Fluctuations*.

LEWIS, DEPENDENCY AND IMPERIALISM

Lewis and Dependency

In the twenty-four years that elapsed between the dual economy model and *Growth and Fluctuations*, the study of development had undergone a kind of transformation.

Modernisation theory was critiqued and 'dependency' perspectives came into vogue. One version of dependency grew out of Latin American structuralist thought. It grew out of in Prebisch's 'centre-periphery' characterisation of the world economy and his analysis of the terms of trade problem and of the unequal distribution of the benefits of technical progress between centre and periphery (Prebisch 1950, Furtado 1963, Sunkel 1969).

Another version grew out of the Marxist tradition. Its origins lay in Lenin's thesis on imperialism and his analysis of the impact of foreign capitalism on Russia (Palma 1978); and it posited that dependency was the consequence of the expansion of Western capitalism into the Third World: development and underdevelopment were two sides of a single world capitalist system (Baran 1952, Frank 1967, Amin 1974). In *Growth and Fluctuations*, Lewis referred both structuralist and Marxist dependency thought. Here I will again quote Lewis at length in order to convey as much of his meaning as is necessary for my argument.

Lewis explained that his study derived from his "interest in the proposition that the upward movement of those already on the escalator helps to pull more and more countries into the moving company" (1978: 16). He went on to observe that "[t]his proposition is not obvious, and its opposite, *that it is the enrichment of the rich that impoverishes the poor, is perhaps more widely held in one form or another*" (1978: 16, emphasis supplied).

This appears to have been a declaration of neutrality on the question: his stance is that of the researcher seeking answers to a question without an *a priori* position. Lewis also referred to the 'dependency relation' as having been "introduced to economics in the inter-war period by Canadians interested in the 'staple' (or, as would now say, 'export-led growth'), by Australians interested in the multiplier effects of an adverse balance of payments, and Englishmen blaming the great depression of the 1930s on US failure to

maintain its own prosperity” (Lewis 1978a: 16). Notably, he made it clear that his use of the categories of ‘core’ and ‘periphery’ in the world economy was taken from Prebisch:

The words we now use we owe to Dennis Robertson and to Raoul Prebisch. Robertson, writing in 1938, referred to international trade as ‘the engine of growth’, and Prebisch, writing twelve years later, referred to the relations between the industrial world and the ‘periphery’⁷...In this study we shall divide the world into ‘core’ countries and the ‘periphery’⁸ (Lewis 1978a: 16).

This provides the conceptual linkage between Lewis’s study of trade and development and Latin American structuralist and dependency thought. Lewis’s study of the extent to which the growth of the core was transmitted to the periphery was similar to the approach of dependency writers, as was his concern with the problem of declining terms of trade for the exports of the periphery and the unequal distribution of the fruits of technical progress. Prebisch attributed the terms of trade problem to the oligopolistic nature of goods and factor markets in the manufacturing industries of the centre countries, compared with the high degree of competition in the markets for primary commodities exported by the periphery. The point of coincidence between Lewis and Prebisch was the existence of an abundant labour supply to producers of primary commodities, which lay behind the high elasticity of supply in these markets. The option identified by Lewis of ‘imitating’ the core through industrialisation was also virtually identical to the model of import substituting industrialisation advocated by Prebisch.

In his analysis of the response of peripheral countries (Lewis 1978a: Ch. 7), Lewis also arrived at conclusions that were close to those of dependency writers. He pointed to the effects of export success in “orienting an economy towards dependence on foreign commodities, institutions and ideas, giving it an unnecessarily high propensity to import, and reducing the opportunity to grow by exploiting local resources and familiar techniques” hence making it “unbalanced and...driven by its own momentum into greater over-specialization” (Lewis 1978a: 221). He associated himself with the position of Frederick List and with “the recent writings of Latin American and other Third World economists, some of whom view significant participation in international trade in raw materials as an obstacle rather than a stimulus to industrial development”, referring to the work of Amin and Frank (id.: 221-222). He pointed to the effects of foreign ownership of trading, banking, shipping and insurance, in Africa and Asia, which “diminished the availability of funds and enterprise for investment in domestic manufacturing” (id.: 222). In singling out the ownership and utilisation of the surplus as a factor explaining underdevelopment, Lewis was taking a position similar to that of Baran and Frank.

However, Lewis’s eventual conclusion was that whether or not industrialisation took place “(depended) on the relative political strengths of the industrial and the agricultural interests”, and that the fact that the latter won out in 19th century Latin America “has to be explained in terms peculiar to that region *rather than in terms of a general theory of economic development*” (id.: 222-223, emphasis supplied). Hence while he agreed with specific features of the dependency thesis, Lewis adhered to a method of historical-

empirical analysis in preference to a 'general theory of underdevelopment'. He did not subscribe to a 'theory of dependency' by which underdevelopment follows more or less automatically from dependency relationships between periphery and core. It is also significant that, in a later autobiographical note, Lewis differentiated his approach from that of the structuralist economists⁹.

Lewis and Imperialism

Lewis's perspective on imperialism was consistent with the above stance. Here it is important to note that he regarded himself as an 'anti-imperialist' and attributed his interest in development economics to this¹⁰. The following passage is instructive on this point:

... core-periphery relations were not only technological and economic but also political. The imperialists tell us that the finest contribution of the core to peripheral countries was good government. The anti-imperialists argue variously that empire was good, but in due course outlived its time; that it was irrelevant to development; that it actually held back development, by prohibiting certain activities or channelling them into spheres of limited potential; or that it de-developed, in the sense of actually reducing living standards or even killing people. Since colonies were governed very differently – 'the colonial system' is another myth – one could nominate at least one colony to fit each of these categories, from

best to worst. In addition anti-imperialists emphasise that the urge to acquire empire came from commercial imperatives – the search for markets, raw materials or investment opportunities, or the desire to avoid being excluded by others – and was part of the inner logic of capitalism rather than an adventure to bring civilization and religion to backward peoples such as is portrayed in the children’s history books.

The colonial empires had for the most part been carved out long before 1870 – the principal exceptions being parts of Africa, Indochina, the Pacific Islands, and the territories acquired by the USA from Spain in 1898. Indeed large parts of the imperial system had been acquired long before the industrial revolution began. So while the causes of empire building are a fascinating question, an explanation cannot lie within the confines of this study. (1978a: 31).

It is clear that Lewis saw imperialism as essentially a political, rather than an economic, relationship. This differentiated him from Marxist thinkers, who treat imperialism as fundamentally an economic phenomenon associated with capitalist expansion. Viewed strictly as a political relationship, Lewis agreed that imperialism constrained the choices open to colonial peripheries by discouraging industrialisation. But he argued that the experience of some peripheral countries that remained politically independent and yet opted to ‘trade’ rather than to ‘imitate’, showed the importance of factors other than political status in conditioning development outcomes. The problem in

these countries was the absence of “an internal drive towards an industrial revolution” in the form of “eager entrepreneurs” or “development-oriented governments” (1978a: 200).

For example:

The crucial difference between Argentina and Australia was that

Argentinean politics were dominated by an old landed aristocracy.

Australia had no landed aristocracy. Its politics were dominated by urban

communities, who used their power to protect industrial profits and wages

(1978a:199).

Yet there is considerable coincidence between Lewis’s explanation, which points to the character of the dominant class in politics and the state, and that of Marxist scholars who employ the concepts of the ‘class composition of the state’ and the ‘character of the national bourgeoisie’ in peripheral countries. Baran, followed by Frank, had posited that the landowning classes of the nominally independent periphery countries were allied to foreign capital in exploiting the labour and natural resources of peripheral countries and in opposing the development of full-blown industrial capitalism (Baran 1952, Frank 1967). The question is whether Lewis and the Marxists simply used different terms to refer to what was substantively the same phenomenon. This involves a more detailed investigation of their methodological and theoretical antecedents than is possible in this essay. Suffice it here to note that Lewis, as a Fabian socialist and an economist employing an essentially Ricardian framework, departed from different theoretical and methodological premises than those of the Marxists.

It may be concluded that Lewis's analysis differed from both the structuralist and the Marxist versions of dependency in methodology, particularly in the degree of determinism that inheres in the method. As an economic historian who was acutely conscious of the complexities of particular cases, Lewis was unwilling to commit himself to a preordained ideological or theoretical position that would not permit exceptions to any general rule or that would claim to have predictive validity. He believed that "[e]conomics is good at explaining what has happened over the past twenty years, but when we turn to predict the future it tends to be an essay in ideology" (Lewis 1994a: xlix).

Similarly, Lewis's borrowing of Prebisch's categories of 'core' and 'periphery' did not imply adoption of dependency thinking as a whole. His analytical framework attributed the response of the periphery to the key factors of the productivity of domestic agriculture and the presence or absence of a class of modernising industrial capitalists in the state. These were recurring themes in his work on development. For Lewis the decisive factor was not the relationship of peripheral countries to the world economy, but the internal circumstances that conditioned the response to the opportunities provided by trade. Accordingly, the solution to underdevelopment would not lie in disengagement or 'delinking' from the world economy, as per dependency thinking, but on internal policies. On the other hand, his position also sets him apart from contemporary neo-liberal thinking that regards trade *per se* as a panacea for the problems of underdevelopment. This is evident from the very last sentence in *Growth and Fluctuations*:

The long-run engine of growth is technological change: *international trade cannot substitute for this* except in the initial period of laying development foundations (Lewis 1978a: 245, emphasis added).

I further believe that Lewis's position on trade, dependency, and imperialism was consistent with a world view in which he "...always took it for granted that what matters most for growth is to make the best use of one's own resources and that exterior events are secondary" (Lewis 1994a: xlv).

THE PLANTATION SCHOOL AND LEWIS

The role of foreign capital

There is considerable debate over the extent to which Lewis's Caribbean industrialisation 'model' was actually followed in the region. The views range across a spectrum in which Governments in the region are said to have adopted the strategy in its entirety, to the view that they adopted some elements but not others, to the argument that governments did not follow the model in its substance at all¹¹. In this essay, I take the view that Lewis's ideas were a significant influence on industrial development policies in the 1950s and 1960s, if not necessarily the only influence. That influence is evident in the passage of incentive laws authorising tax holidays and other concessions to new manufacturing industries, and in the establishment of industrial development agencies in the largest countries in the

region to promote the setting up of these industries by foreign investors. It is also true that other elements of Lewis's prescriptions were not features of the policies followed, particularly the region-wide customs union, the export orientation of manufacturing industry, and the promotion of an agricultural revolution.

By the 1960s it had become clear that manufacturing industry in the largest countries, Jamaica and Trinidad and Tobago, had created very few jobs¹². Lewis himself was one of the first to recognise this and to analyse the causes¹³. In a series of articles on the Jamaican economy he attributed this to the 'Dutch disease' – a situation in which the high-wage sector pulls up wages in manufacturing, privileging the growth of productivity over employment (Lewis 1964). He advocated an incomes policy to restrict wage increases to the growth of labour productivity and to keep exports competitive. In 1972 he proposed incomes policies, currency devaluation, export incentives and measures to increase productivity, on essentially the same grounds (Lewis 1994b). Lewis's suggested remedies were consistent with his long-standing belief that real wages, and the degree of international competitiveness, are the critical factors in employment creation.

Around the same time, a new generation of Caribbean economists, loosely known as New World economists, began to criticise the industrialisation strategies¹⁴. The major points of difference with Lewis related to the role of foreign investment and the underlying causes of limited employment creation in manufacturing. Lewis had argued that foreign investment in manufacturing, as distinct from plantations and mining, had a positive contribution to make:

...foreign capital is much less dangerous in manufacturing industry than it is in agriculture or in mining. The effect of bringing in foreign capital is to increase the national income, and, if the local people are thrifty, they can build up savings which in due course enable them, having learnt the tricks of the trade, to set up in the business themselves. They cannot do this in agriculture or in mining if all the local natural resources have been signed away, unless they can persuade some of the foreigners to sell – and foreigners tend to be clannish, and to refuse to sell. But in manufacturing industry there is no such barrier. Once the local people have learnt the job, and have built up their own savings, they can go right in. There is thus much less danger to the sovereignty of people from the influx of foreign capital into manufacturing industry than there is from its entrenchment in land or in mining. (1950: para. 115)

This view was contested by the New World economists¹⁵, who had the benefit of subsequent experience of and research on this kind of investment in the Caribbean and in other regions. They pointed out that this investment was carried out by establishing subsidiaries of multinational corporations (MNCs), which are international oligopolies likely to create barriers to entry by local entrepreneurs. They argued that job creation was limited because MNCs used capital-intensive techniques, sourced their intermediate goods abroad, did not reinvest their profits locally, and did not share their technology with locals. Local entrepreneurs adopted imported technologies, promoting technological

dependence. They held that tax incentives were ineffective when economic conditions were unfavourable and unnecessary when they were favourable. They showed that national savings hardly grew and hypothesised that the propensity to consume out of additional income was elevated due to the adoption of foreign consumption patterns. Other authors pointed to Puerto Rico's unique economic and political relationship with the USA as a major factor in attracting US investment to that island¹⁶.

The Plantation Economy models and the Dual Economy model

The critiques of Lewis's specific prescriptions eventually led to development of an alternative theoretical perspective in the form of the theory of Plantation Economy. The principal originators, Lloyd Best and Kari Levitt, argued that the peculiar circumstances of the Caribbean made necessary a theory or model *sui generis* to explain the functioning of its economies. Their theory of 'Plantation Economy' was structuralist in approach and historically contextualised in the Caribbean experience, with a strong institutionalist flavour (Best 1968; Best and Levitt 1968; Levitt and Best 1975).

Starting with the Mercantilist period, they proposed a typology of economic structures, beginning with 'Metropolitan Economy', where discretion and choice are located, and 'Hinterland Economy', which is "at the discretion of Metropolitan Economy". There are Hinterlands of 'Conquest', of 'Settlement', and of 'Exploitation'. The last named is what gives rise to Plantation Economy, which is the sub-type of Hinterland Economy to which Caribbean economies belong. Three models of Plantation Economy are proposed for successive historical periods. Model I, 'Pure Plantation

Economy', represents the economy of the slavery period; Model II, 'Plantation Economy Modified', represents the economy of the first century after Emancipation, and Model III, 'Plantation Economy Further Modified', represents the economy of the modern period. A central theme of the models was 'continuity with change'; hence the multinational corporations that are the central feature of Model III are held to behave in similar ways to the Joint Stock Trading Companies of the Mercantilist period, and the system of which they are a part is depicted as the 'New Mercantilism'.

The key differences between the Plantation Economy models and Lewis's dual economy model are highlighted in Table 1. Notably, both are historically contextualised. However Lewis's model is classical, Ricardian, is set in the conditions of the British Industrial Revolution; once the appropriate conditions hold growth proceeds smoothly until the modern sector comprises the whole economy. On the other hand the Plantation Economy models are structuralist, set initially in the Mercantilist period, grow through alternate cycles of expansion and contraction of the plantation sector, and remain dependent and undiversified through historical time. The differences in framework are at the root of the opposing views on foreign investment. In the dual economy model, foreign investment is a means of augmenting the supply of local savings and initiating the transition to self-sustaining growth. In the Plantation Economy models, it creates and reinforces the basic structural characteristics of Caribbean economy through historical time, promoting its dependence on Metropolitan Economy and constraining its transformation.

The Plantation Economy Models and the Trade and Development study

However, when the comparison is made between the Plantation Economy models and Lewis's study of trade and development (as can be viewed in Table 2), a much greater degree of similarity is apparent. Lewis's typology of 'core' and 'periphery' economies is similar, though not identical, to Best and Levitt's typology of 'Metropolitan' and 'Hinterland' economies; in that both agree that the latter's growth is conditioned by that of the former. Lewis's category of 'countries of temperate settlement' also corresponds to Best and Levitt's category of 'Hinterlands of Settlement'; and both agree that these have a potential, lacking in other peripheries, to undergo development similar to that of the core economies. However Lewis's category of 'tropical countries', conflates the Hinterlands of 'Conquest' and of 'Exploitation' in the Best-Levitt typology. Best and Levitt posit that the Hinterlands of Exploitation, and more particularly the Plantation Economies, exhibit unique structures as a result of their historical formation, which conditions the path of their development through time. Hence they referred to the adjustment of Caribbean economies in the 19th century as being conditioned by whether they emerged from Pure Plantation Economy as 'mature', 'mixed', or 'new' plantation economies.

Both Lewis and the Plantation Economy theorists employ an analysis of the course taken by different peripheries that is multi-factored and institutionalist. Indeed, at times Lewis's analysis in *Growth and Fluctuations* seems close to being structuralist. Both also agree that foreign trade and the relations between the domestic sector and the external

sector are significant influences on what happens to the domestic economy in terms of development.

One significant difference is that Lewis attributes a crucial role to the terms of trade in explaining why the tropical countries remain poor. This factor is not given the same degree of prominence in the Best-Levitt Plantation Economy models. Here, there is also the need to consider Beckford's version of Plantation Economy, which focuses on agriculture and on relations between plantations and peasants in the colonial (19th century) and modern periods. In his book *Persistent Poverty*, Beckford endorsed Lewis's analysis of the terms of trade problem presented in the latter's Wicksell lectures (Lewis 1969). In effect, Beckford agreed on the role of low productivity in food production as the underlying factor in the declining terms of trade, which results in the consuming countries appropriating the gains of technical progress in the export sector (Beckford 1972: 193). Even then, for Beckford this was only one of several factors keeping plantation economies poor. Of much greater significance are the social costs of resource misallocation and the dynamic underdevelopment effects of the plantation system (Beckford 1972: Chs. 6 & 7).

Modern vs. Traditional Sector as a source of growth dynamic

A major issue relates to the source of dynamic or potential for transformation in the economy. Lewis's schema locates this in the 'modern' sector, which, in the various models of Plantation Economy, corresponds to the plantation sector. The plantation

school, however, locates the dynamic *outside* of the plantation sector: in Best and Levitt's 'residential' sector and Beckford's peasant agricultural sector. In Lewis's dual economy, the 'traditional' sector includes peasant agriculture, domestic service and the urban petty trades. Its role is to release surplus labour to the modern sector. In the Best and Levitt Plantation Economy models, the 'residential' sector originates with the settlers before Model I; in Model I it comprises the activity of the maroons, and in Model II it is fully established in the form of peasant agriculture, artisan activity, and other activities oriented to the local market and utilising locally available supplies, representing a potential for economic diversification that is never fully realised. Beckford's peasantry is an agricultural class that engages in both subsistence production for its own account and cash crop production for export. He has no doubt about his difference with the dual economy model on this point:

We need seriously to question the assumption that the plantation (modern) sector provides the dynamic for development and that, therefore, the development problem resolves itself into bringing more resources into that sector...If the West Indian case is a good example of the general case, and it seems to be as the rest of this study will indicate, *then the development problem would seem to be the reverse of what is suggested by the two-sector models.* (1972: 50, emphasis added)¹⁷.

This statement appears to sharply differentiate Lewis from the plantation school with regard to the source of growth dynamic. But how fundamental is the difference? From his

earliest work on Caribbean industrialisation to his later work on trade and development, Lewis was consistent in insisting that an agricultural revolution must accompany an industrial revolution if development was to succeed and the population of tropical countries was to be lifted out of poverty. As noted, the absence of such a revolution was at the root of his explanation of why the tropical countries remained poor in the late 19th century. This position brought him much closer to the views of the plantation school than was apparent from the consideration of the closed version of the dual economy model. This may have been due to the fact that, in the debate that followed the initial publication of the model, very little attention was directed to its open version. Moreover, Lewis's presented his later study of trade and development as a work of economic history and the applied economics of international trade, rather than within the theoretical framework of the open version of the model he had presented over 20 years before. Had he done so, he might have emphasised that aspect of the dual economy model that contained the elements of a general theory of the development and underdevelopment of the core and periphery of the world economy in the 19th century. Refinement and extension of the model in the light of his empirical findings might have thrown up greater points of similarity with the structuralist version of dependency and might have provided the basis of a useful debate with the Plantation School. For obvious reasons, this can only remain a matter of speculation.

Table 1: Lewis’s dual economy model and the Best-Levitt Plantation Economy models

	Lewis dual economy model	Best-Levitt PE models
<i>Historical context</i>	Drawn from 19 th century England and applied to mid-20 th century overpopulated underdeveloped countries	Mercantilist Europe/Slavery Post-Emancipation Post World War II
<i>Theory or Method</i>	Classical/Ricardian	Structural & Institutional
<i>Economy</i>	Starts off Closed	Starts off Open
<i>Sectors</i>	Capitalist/Subsistence (Modern/Traditional)	Plantation/Residentiary
<i>Growth</i>	Internally driven; smooth	Externally driven; cyclical
<i>Expansion path</i>	Capitalist sector grows; Subsistence sector contracts	(i) Plantations displace residentiary (PPE) (ii) Plantations contract; residentiary grows (PEM) (iii) Residentiary reaches expansion limit; new dynamic sectors established with MNC presence (PEFM)
<i>Surplus</i>	Reinvested in productive activity	Reinvested in plantation activity only; or repatriated; or finances planters’ excess consumption
<i>Outcome</i>	Surplus labour absorbed; economy becomes ‘developed’	Adjustment of plantation sector without transformation; surplus labour continually generated; economy remains undiversified and dependent

Source: Author

Table 2: Lewis on trade and development and the Plantation School

<i>Lewis Trade & Development</i>	<i>Plantation School of Best, Levitt and Beckford</i>
Countries of Temperate Settlement experience a different growth path from tropical countries because of their factor endowments, European immigration and government policy	Hinterlands of Settlement are destined to become new metropolises because of their factor endowments and their role in the Overseas Economy of the Metropolises.
In tropical countries, surplus labour is a result of demographic pressure, the low productivity of domestic agriculture, and Asian immigration	Overcrowding of the peasant sector is a result of plantation monopoly over land.
Surplus labour keeps wages low in the modern sector and depresses the terms of trade for primary commodity exports	Plantation monopoly over land forces the peasantry to sell cheap labour to the plantations, which keeps them in poverty and depresses the terms of trade
Tropical countries exporters of primary commodities remain poor	Economies dominated by plantation agriculture remain poor

Source: Author

LESSONS TO BE LEARNT

Lewis and the Plantation School both located their analysis of underdevelopment in a concrete historical and institutional context. Although they employed different theoretical frameworks, both rejected the prevailing orthodoxy in favour of conscious efforts to develop theories appropriate to the problems that they addressed. This has lessons for the recent revival of interest in heterodox approaches to the problems of development that question the validity of neo-classical economics and its derivative, neo-liberal economic policies, as universally applicable paradigms (UNRISD: 2003).

Critiques of the industrialisation policies advocated by Lewis for the Caribbean were a natural historical development, given that they were not achieving their objectives. The substantive differences between Lewis and the Plantation School are found in the respective theoretical frameworks they employed to explain the persistence of unemployment under conditions of high growth. Hence the solutions advocated differed, with Lewis focusing on the question of labour costs and international competitiveness and the Plantation School favouring structural and institutional reforms.

Lewis's work on trade and development in the 19th century world economy brought him much closer to dependency and the Plantation School. The implicit framework of this work was the open version of his dual economy model, to which he adapted Prebisch's core-periphery division of the world economy. As such, it contained the elements of a theory of underdevelopment of the tropical peripheral countries that had

many similarities to the structuralist and Marxist interpretations of underdevelopment and to the thesis of the Plantation School. That this was not as apparent as it might have been, could be due to the fact that most of the attention to the dual economy model was directed to its closed version, that Lewis's work on trade and development came towards the end of his career, and that Lewis himself did not explore its theoretical implications in terms of the dual economy model.

With regard to policies, Lewis and the Plantation School were in agreement on two points that have contemporary relevance. One was the crucial importance of revolutionising the productivity of domestic agriculture to raising rural incomes, supporting industrialisation and securing higher gains from international trade. The second was that export-led growth can either be detrimental to, or supportive of, all-round development, depending on the relationship between the export sector and the rest of the economy and on government policies. Trade expansion, therefore, should not be pursued as an end in itself, but on terms and conditions that support domestic development objectives. There has recently been a significant revival of interest in these questions¹⁸. The outcome of the current round of WTO negotiations on agriculture and non-agricultural market access (NAMA) will have a major bearing on the degree of 'policy space' that developing countries have to promote their domestic agricultural and industrial development and, in general, to pursue such objectives¹⁹. The importance of these negotiations to conditioning the development prospects of developing countries is underlined by the lessons to be learnt from Lewis and the Plantation School.

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¹ See Lewis’s autobiographical notes in Lewis 1980 and 1994a; and Emmanuel’s three volume collection of his papers in Emmanuel 1994.

² After his study of Caribbean industrialisation Lewis had visited and advised governments in Africa and Asia, in his capacity as Deputy Director of the United Nations Special Fund.

³ The following is a highly summarised account of the essential features of the model for the purposes of this article, which hardly does justice to its nuances and to the richness of its analysis.

⁴ The distinction between growth and development in the literature on development economics did not come about until about a decade later.

⁵ In his Wicksell lectures (Lewis 1969), Lewis provides further elaboration of this analysis in terms of the factorial terms of trade.

⁶ Approximately 45 of 60 pages are devoted to the analysis of the closed economy case, while 14 examine the case of the open economy.

⁷ The footnote in Lewis's original refers to Robertson (1938) and to Prebisch (1950).

⁸ The footnote in Lewis's original reads "The periphery is also sometimes called 'the hinterland'".

⁹ "There are economists who put too much emphasis on prices, forgetting that it may be easier to solve a problem by changing the institutions wherein it is embedded than by changing prices. There are other, structural economists, who avoid the use of prices as a policy instrument because of adverse effects on the distribution and volatility of income. I am usually somewhere in between." (Lewis 1994a: xlvi)

¹⁰ "My interest in (development economics) was an off-shoot of my anti-imperialism. I can remember my father taking me to a meeting of the local Marcus Garvey association when I was seven years old." (Lewis 1994a: xlv)

¹¹ Figueroa 1993: Ch. 2 surveys the different views on this question and suggests that "the view of Lewis as the intellectual author of Caribbean industrialization is untenable" (p. 9)

¹² In his 1950 article, Lewis had foreseen the need to create 120,000 new jobs in manufacturing industry over a ten-year period. Job creation by 'incentive' industries totalled 9,000 in Jamaica by the mid-1960s and 4,666 in Trinidad and Tobago between 1953 and 1966. (Benn 2004: 130, citing Jefferson 1971 and Carrington 1971b)

¹³ In an unpublished MS, Lloyd Best and Kari Polanyi Levitt have reviewed the evolution of Lewis's views on employment creation in the Caribbean after the publication of "Industrialisation of the British West Indies", showing how his original optimism was eventually replaced by a more pessimistic view of the possibilities.

¹⁴ See Best 1968; 1971; Carrington 1971b; Girvan 1971, Jefferson 1971, 1972.

¹⁵ What follows is a highly condensed summary of the critiques made by the authors cited above. More extended reviews are made by Benn 2004: Ch. 5; and Blomstrom and Hettne 1984: Ch. 5.

¹⁶ Benn 2004: 129-130, cites Gordon Lewis (1963) on this point.

¹⁷ Beckford refers to Lewis's article on Unlimited Supplies as the original statement of this position (1972: Ch. 2, p. 49, n. 26)

¹⁸ See for example UNDP 2003; Chang 2002.

¹⁹ On this see UNCTAD 2004