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Arthur Lewis [Ideological Profiles of the Economics Laureates]

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Abstract

Arthur Lewis is among the 71 individuals who were awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel between 1969 and 2012. This ideological profile is part of the project called “The Ideological Migration of the Economics Laureates,” which fills [the September 2013 issue of *Econ Journal Watch*](#).

Keywords

Classical liberalism, economists, Nobel Prize in economics, ideology, ideological migration, intellectual biography.

JEL classification

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Arthur Lewis

by Daniel B. Klein, Ryan Daza, and Hannah Mead

W. Arthur Lewis (1915–1991) was born on Saint Lucia in 1915. Having kept ahead of his classes, he worked in civil service from age 14 until 1932, when he was eligible to compete for a scholarship. He won the scholarship and went to the London School of Economics to study business administration and law although, as he put it, he “wanted to be an engineer, but this seemed pointless since neither the government nor the white firms would employ a black engineer” (Lewis 1992/1980).

Lewis was a self-described “social democrat” and a member of the Fabian Society, which he termed “the thinking arm of the British Labour Party” (Lewis

1992/1980; 1995, 5). The Fabian Society embraced the leaders of the Caribbean labour movement (Craig 1977, 59-60). In 1938, Lewis published a Fabian Society pamphlet titled *Labour in the West Indies*, which describes the rise of the new labour movement and how its goals were “to raise the economic and cultural standards of the masses, and to secure for them conditions of freedom and equality” (Lewis 1977/1938, 44). One proposal is equal distribution of income through the redistribution of property (ibid., 46). Norman Girvan describes Lewis’s early views:

He was...influenced by the Fabian brand of socialism that predominated in the British Labour Party of the 1930s. One of his first publications, on *Labour in the West Indies* in the late 1930s, was a pamphlet published by the Fabian society that argued that labour had assumed the mantle of leadership of the West Indian national movement. This made Lewis essentially a social democrat and a believer in the mixed economy; but more eclectic than ideological in his approach to matters of public policy. He was quite comfortable in recognising the limitations of the free market and the necessity for public intervention in instances of market failure. He was, however, instinctively opposed to authoritarian rule, whether of the left or the right. (Girvan 2008, 4)

Lewis pursued his Ph.D. in industrial economics at the LSE, where he had an assistant lectureship under Arnold Plant. Lewis remarks: “[Plant] and I had intellectual difficulties, since he was a laissez-faire economist and I was not; but this did not stand in the way of our relationship” (Lewis 1995, 3). After the LSE, Lewis was a professor at the University of Manchester from 1948 to 1958. From there, he went to serve as vice chancellor of the University of the West Indies, and then was professor at Princeton University from 1963 until his death in 1991.

Major works by Lewis include *Economic Survey 1919–1939* (1949a), *The Theory of Economic Growth* (1955), and *Growth and Fluctuations 1870–1913* (1978). He won the 1979 Nobel Prize along with Theodore Schultz for “pioneering research into economic development research with particular consideration of the problems of developing countries.”

In 1949, Lewis expressed his social democratic disposition in *The Principles of Economic Planning*, originally written for and published by the Fabian Society (Lewis 1995, 6). Twenty years later, Lewis noted that “the book is not, as its title might suggest, an academic study of theoretical principles, but rather a political statement” written mostly about “economic planning, defined for this purpose as government action designed to secure results different from those of the market” (Lewis 1969/1949b, vii-viii). In the book he brands socialism as a demand for

equality, social justice, and individual liberty, rooted in a more liberal tradition that holds that extensions of the state are necessary only when other social intuitions fail (ibid., 11). Lewis writes: “The market economy is wasteful. . . . Only state action can assure competition. In this, as in so much else, the market economy cannot function adequately without positive support from the state” (ibid., 14). He concludes: “There are no longer any believers in *laissez-faire*, except on the lunatic fringe. There are many who denounce planning in fierce language, and who appear by implication to be arguing for *laissez-faire*, but, on closer examination there are always a few pages in their books which give the game away. The truth is we are all planners now” (ibid.).

In 1961, Lewis continued to support planning, but his remarks about “capitalists” and “capitalism” are not hostile:

Capitalists are distinguished from other dominant classes by their passion for saving and for productive investment. Earlier dominant classes had different ambitions. Priestly classes saved, but they usually invested their wealth in monuments and churches rather than in factories and farms. Landowners saved, but in their heyday they used their savings to buy more land, rather than to invest in improving land; and the persons from whom they bought were usually in distress, and selling to finance consumption. Now landowners in developed countries have learned to behave like capitalists, but elsewhere landowners are still not prone to productive investment. The capitalist was the first dominant type to make saving and productive investment into a religion of life.

As capitalism develops within a backward economy, the proportion of the national income accruing as capitalist profits increases all the time, and so the share of the national income saved and invested grows automatically until the economy is fully converted to capitalism, when the share of profits in the national income is stabilized. All the countries now developed have gone through this process, except the USSR; and the countries now in line for development can tread the same path if they so desire.

For the most part they do not so desire. This is not primarily because of anti-capitalist ideology. Most of the leaders of new states proclaim some sort of socialist leaning, but within a year or two of taking office their desire for development proves stronger than their antipathy to capitalism, and they adopt programs for stimulating private capital investment, and for stimulating even the foreign private capital investment which they have hitherto denounced. Their main

objection to relying solely on the growth of private capitalism is that it is so slow. By this method it may take anything up to a century to raise the rate of domestic saving from 5 to 10 per cent. Most political leaders want quicker results than this. (Lewis 1961, 45)

Lewis then made comments about “irresponsible politicians”:

What is lacking in most of these countries is not the means but the will. For what is involved is that political leaders should give priority to economic development over their other pursuits, at least to the extent of agreeing not to use the strains created by development policies as weapons for attacking each other. But no such priority is accorded. Most political leaders in the new states find other issues much more exciting than economic development, and also more rewarding as possible sources of political power.

It is clear that a number of the new states have an awkward stage to pass through, during which their affairs will be dominated by men who are mainly interested in preserving the privileges of their own group; or in tribal, religious, racial, or language disputes; or simply in military adventure. For a number of these states their very existence as nations will be at stake, either because they are menaced by external aggression, or because of internal tensions leading to civil war or disintegration. Even some countries which have no deep tribal or other divisions seem likely to stultify themselves by an overproduction of irresponsible politicians. Politics is exciting to young countries, and politicians in these countries have attracted to themselves all the glamour which was previously reserved for priests and kings, not excluding the military parades, the salutes of guns, the yachts, and the country houses. We must resign ourselves to the fact that many of the new countries will be too preoccupied with other matters to give to economic development the priority which it needs. (Lewis 1961, 46)

In a 1980 interview, Lewis seemed to defend free market prices. Lewis was asked if he thought “industrial capitalism depended on the exploitation of labor and raw materials in the less developed countries.” He replied:

The answer depends on what you mean by exploitation. I agree that there’s exploitation, but it comes from the free working of the market. The producer of cocoa gets a free competitive price which is determined by the alternative costs and the producer of steel also gets a free, competitive price. There’s no point at which the producer of steel

is oppressing the cocoa producer. They're all buying and selling in the market. (Lewis 1980, 26)

Lewis said, however, that free market prices are unfair. This led the interviewers to ask: *"Let's pursue this question of commodity prices being unfair, even though they are determined in freely competitive markets. Are you suggesting that there are some villains in the piece or is it just bad luck that it comes out that way?"* Lewis responded:

No, I don't see any villains. I see the market working in a way that is disadvantageous to the people living in the tropics. Very simply, what accounts for the relative prices of cocoa and steel? Why does a fellow who grows cocoa, however diligently and by the best-known techniques, walk around the place in bare feet, while the fellow who makes steel in a temperate country lives at three, four, five times that standard of living? That is unfair...[b]ecause the terms of trade between these countries—what we call the factoral terms of trade—are based on market forces or what economists call opportunity cost, not on the just principle of equal pay for equal work. ... It would be fair if, given two people with equal diligence, intelligence, and equal work, these two people were paid the same. That's the basic proposition of economists within economic theory. (Lewis 1980, 27)

Lewis goes on to suggest taxation to finance development, a suggestion the interviewers define as socialist. Lewis retorted with a case for income redistribution through taxation rather than economic nationalization:

Socialism is one thing, planning is a different thing. The two don't necessarily go together. Socialists have many different objectives. People mean different things when they describe themselves as socialists. I am concerned with poverty and I am concerned that one should, in any social system, make provisions of all kinds for the poor to the extent allowed by the national income of the country concerned. That's a number one priority for me. I'm a little man socialist rather than a big man socialist. I am more in favor of stimulating small-scale production, small entrepreneurship, than of nationalization as such, though I'm perfectly willing to nationalize in circumstances where this can be handled. (Lewis 1980, 28)

Lewis was asked what his objection was to a "strict laissez-faire route to development." He said:

Socialists, if you go back to the nineteenth century, when socialism originated, object to the proposition that to develop a country you have to make a few people rich so that they can save and invest. And the whole purpose, the whole mechanism of laissez-faire is based on creating a few rich families. Now that idea is congenial in Europe because it has existed there for several centuries. But if you're starting to make a new society in Angola, Mozambique or Nigeria, you ought to take a different route. ... What we object to is the creation of private fortune, which is created by saving that comes out of profits. But you could just as well promote the saving through some public institution. (Lewis 1980, 30)

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