

Culture and Economics: Is Socialisation a Constraint on Our Development?

*Opening Remarks by ECCB Governor
K Dwight Venner*

This Sixth Sir Arthur Lewis Memorial Lecture comes at a time of unprecedented and unparalleled events in our history and that of the international community.

In this time of great uncertainty it is comforting to know that we can summon up the aura of Sir William Arthur Lewis, Nobel Laureate in Economics to look over our endeavours as we try to respond to the very challenging circumstances which now confront us. I make this statement to say that even in the midst of such difficulties we can call on those who have gone before us who would no doubt point out that opportunities do present themselves especially at such times.

There is no greater model for us than Sir Arthur Lewis whose clear thinking and practical application of the science of economics have been responsible for many of the sensible approaches to the fundamental issue of economic development. Sir Arthur in his personal life had to overcome many difficulties being the first West Indian and black man to pioneer in so many areas. As he himself said, since he was the first he had to conduct himself in such a manner that those who followed him would be able to pass through doors which were previously closed.

It is in this context that I want to say a few words about the concept of choice. The people and governments of these countries now face very serious choices about their future which must be addressed with some urgency. These individual and collective choices have to be seen in the context of the reality of very small states in a rapidly globalising international economy.

There is an interplay between these choices as the leadership and environment provided by the governments will have an important impact on individual choices. On the other hand the manifestation of individual choices for good governance, prudent fiscal policies, a clean environment and cultural development, expressed with candour, sincerity and objectivity can have a marked influence on the performance of governments.

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At particular points in time, choices are constrained by the prevailing environment. However, in liberal democratic societies like ours which subscribe to the concept of free markets, the widening of choices must be our benchmark of our social, economic and political development.

An expanding economy, for example, presents more choices of not only employment, but quality employment. It presents more choices to us in the acquisition of goods and services. It expands our horizons by allowing us to visit foreign countries. It makes it possible for us to provide for our pensions.

To achieve the objective of an expanding economy there are choices which have to be made. We have to work harder and smarter and with better technology. We have to accumulate capital postponing consumption and increasing savings. We have to acquire higher education by choosing to postpone our entry into the workforce. We must have access to more resources by forming alliances with other groups of workers, groups of firms and groups of countries. These last choices of amalgamation and integration are now becoming the most critical we, as small island nations, have to make.

Sir Arthur Lewis was very aware of these choices particularly with respect to savings, education and the integration of our countries. We are very fortunate to have as our distinguished guest lecturer tonight, Mr Marius St Rose. He became a close confidant of Sir Arthur when the great man retired to live in Barbados.

This relationship had a great impact on Marius, as it would on most people. But Marius already had the inclination to be a part of our development dream which meant that he benefited more than most from this relationship. Marius is part of an era inhabited by the likes of George Beckford, William Demas, Alister McIntyre, Lloyd Best, C Y Thomas, Owen Jefferson, Norman Girvan and Havelock Brewster, who believed passionately in the Caribbean. Instead of the academic route, Marius chose that of the technocrat in which he has few equals in my humble opinion.

In addition to being a consummate technocrat he is one of the most pragmatic men I have met and if that were not enough, is without equal with respect to reliability. Oh, for a few Mariuses scattered through our islands.

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It is therefore with a great sense of pride that I introduce my life long friend and colleague, Marius St Rose to deliver the Sixth Sir Arthur Lewis Memorial Lecture.

**Lecture
By Marius St Rose**

Introductions

I am delighted and honoured to have been invited by the Governor of the Eastern Caribbean Central Bank, Sir Kenneth Dwight Vincent Venner to deliver this, the Sixth Sir Arthur Lewis Memorial Lecture. As I come from outside an academic environment and from a slightly later generation, I may not be able to sustain the high academic standards displayed by such scholarly predecessors as Rex Nettleford, Norman Girvan, Alister McIntyre, Lloyd Best, and last year, Kari Levitt. Nonetheless, I will try not to disappoint either the Governor, or you, my audience.

Because the lecture is supposed to be in Sir Arthur's memory, I will focus on a theme and use an approach and style that he would have endorsed. He would have wanted the presentation to be practical, applied and topical rather than being theoretical and academic. He would have expected that the message would be simple, easily understood by the layman, worthy of further contemplation and, more so, follow-up action resulting in something positive. He would have been impressed if the subject focussed on us: if it helps us to understand who and what we are, which of course is the basic requirement for us to find solutions to our situations and problems. He would have been even more encouraged if the lecture focussed more on what we can do for ourselves rather than on what the world can do for us or how we can change the world. He was always of the view that the world environment was a given and that it would be more beneficial to us if we adapted to it rather than waste time and energy moaning about it or even trying to change it.

For these reasons I have chosen the subject: ***CULTURE and ECONOMICS*** with the subtitle: ***Is Our Socialisation a Constraint on Our Development?*** But before I explore this theme permit me a few moments to reminisce about the great Sir Arthur.

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I first became aware of Professor Arthur Lewis in 1963 from a picture on the walls in the office of Leton Thomas where I was writing a Mathematics exam. This prompted me to do some research on the man which included studying his magnum opus "The Theory of Economic Growth". This aroused my interest in the subject of Economics and led me to pursue, initially at my expense, the discipline as my area of future specialisation.

The fact that I was in my late teens when I first heard about this eminent Saint Lucian says a great deal about our societies. It leads to the unfortunate observation that we, as a people, do not herald the achievements of, and hold up as role models, our sons and daughters who are attaining excellence in the international arena!

I first heard Sir Arthur's voice in 1983 when the Caribbean Development Bank (CDB) invited him to deliver a lecture in Barbados. I had the audacity then to ask him whether Rostow's theory of the stages of economic growth from primary to secondary and then to tertiary production – a theory which he endorsed strongly - was applicable to such small economies as ours. I asked the question because our economies, with quite undeveloped agricultural sectors that did not allow us to be near self-sufficient in food, were nonetheless being very successful in tourism. I will not tell you the answer that I received!

In 1979 Sir Arthur was awarded the Nobel Prize in Economics, particularly for his postulation of the theory of "Unlimited Supplies of Labour". There was a view among some socialist economists then that a black Third World economist should not have propounded a theory that apparently encouraged increased profits to capital at the expense of low wages for labour as a means of generating savings for economic growth. Sadly and unfortunately that view was a serious misinterpretation of Lewis' vision and intent. In fact, Lewis' vision and strategy were first to achieve full employment and then to improve wages through enhancements to labour productivity. While the theory and strategy were being debated and criticised in academic circles in the Caribbean, the South East Asian countries pursued its implementation with vigour and have reaped the benefits. One of the countries, in particular Singapore, where he is very well regarded, adopted the model and removed the labour rigidities that would have prevented its speedy implementation. Today, Singapore has not only maintained its full employment but its

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nationals enjoy one of the highest and well-distributed per capita incomes in the world and now imports cheap labour from its neighbours!

To illustrate how practical Sir Arthur was, I recall another incident when I was trying to introduce a young brilliant Saint Lucian econometrician to him. Sir Arthur commented on the young man's area of specialisation by recounting how disappointed he was to have been invited to a seminar of world renowned econometricians, where, at the end of three hours, all they were able to do was to reduce a thirty-equation/identity model to twenty two equations and identities. Of course, nor was the young econometrician impressed with Sir Arthur's subtle criticism of his area of academic interest for he described Sir Arthur (of course, not to his face) as an old time economic historian who did not understand mathematics. The truth is that Sir Arthur had an even greater facility with mathematics for he understood it to the point of simplifying the very esoteric mathematics to a form that non-mathematicians could understand. I can attest to that as when I wanted to understand linear programming for planning purposes I referred to his chapter on the Arithmetic of Planning in his text on Development Planning. Sir Arthur saw mathematics as a tool to be used, but not for a proud and possible pseudo-display of intellect and knowledge and false sophistication.

On that same occasion while discussing econometric forecasting Sir Arthur recounted how in the late fifties the World Bank forecasters had advised Japan that their country, without steel and coal, could never have a comparative advantage in the shipbuilding and automobile manufacturing industries. History has shown otherwise. And the lesson is that it is less the endowment of natural resources and more the ingenuity, determination, discipline, management, marketing and capacity for smart work of a people that will determine their economic success.

My final reminiscence is to say that I had the unique privilege and opportunity to spend many of Sir Arthur's last years with him. I learnt a great deal from these encounters. I was aware that while he knew that his time was limited he nonetheless felt that he still had much to offer. He lamented the limitation that prevented him from programming the working of his mind so that when his body would have been no more, the capacity of his mind and intellect and his experience could continue to be of benefit to mankind.

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Let me now, very briefly, introduce my theme.

Why have other naturally less endowed economies achieved high per capita income levels whilst we are in the low and median rungs of the ladder of per capita income performances? Why has the rest of the world seen merit and positive results in the policy prescriptions of our Nobel Laureate in Economics, but we have not used the home grown prescriptions? Is it because of our size or could it be our socialisation and culture?

Definitions

Let us go to definitions and explain our terms.

In trying to draw the link between culture and economics the first order of business is to define Economics. The best definition of Economics that I have encountered is that it is *“the study of human behaviour in relation to ends and scarce means that have alternative uses”*. Paraphrased, it indicates that given that wants are unlimited and resources are scarce, Economics analyses people's behaviour in prioritising the allocation of scarce or limited resources to optimise their unbounded wants, if not needs. And how people behave is directly related to their culture, beliefs and value systems. How someone from Western civilisation would behave may be quite different from the behaviour of someone nurtured in Oriental values and steeped in those traditions and practices.

The question is therefore to determine how our culture, value systems and responsive behaviours impact on some of the more important levers, engines and variables of economic growth and development. Basically what are our attitudes to such basic foundations of economics as: Consumption, Savings, Investment, Labour Productivity, Trade and Distribution, and Integration and Cooperation to gain efficiencies.

Let me digress again to make two related observations.

The first observation is that the foundation of the economics that we are taught and exposed to is based on observations of human behaviours and responses in European and Western societies and environments and these may not reflect our own. Hence the importance of undertaking our own social, economic and other behavioural research to

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determine not only the strength and magnitude of established relationships between economic and other variables, but also whether these are the most important variables that we respond to. For example, do we in the region invest to gain financial returns or is it to boost self-confidence, societal recognition and status?

The second observation relates to the compartmentalisation and segregation of the study of economics in our tertiary educational institutions. Pedagogically, the discipline is taught through and in a number of subject areas. But there does not appear to be any attempt to integrate all the areas in economics and in such other related social and behavioral science areas as politics and government, sociology, psychology, history, anthropology. The last time that Applied Economics was taught at the University of the West Indies (UWI), Mona, Jamaica, was in 1965 which coincidentally, was two years after Sir Arthur served as that institution's Vice Chancellor, a period that gave UWI much international acclaim as a centre of learning in Economics. Nor does one hear of Economic Case Studies that would engender and require analyses to bring all the intra- and inter-disciplinary social science principles and tools to address many of the interrelated issues in practical economic decision-making. Little wonder that many of the solutions and prescriptions offered by our economic technocrats are so economically narrow in outlook and also devoid of other social considerations. Hence the prescriptions are of little use to the political directorate, who of necessity must be conscious of as broad a range of major social issues and implications. We economists are trained through the technique of partial analysis, with the repeated caveat of *ceteris paribus*, but in the classroom we are never brought to the point of exploring and analysing the total picture all at one time, or a live situation and prescribing for that macro-situation.

As I begin the main theme of my address let me place it in context and give an indication of the approach that I intend to follow. The primary and immediate audience for this presentation will obviously be you. The secondary audience is not expected to be scholarly and academic journals but practitioners who are interested in developing the region.

My presentation is not intended to be a comprehensive analysis of the theme. That of course it could never be. Instead I will just make a few observations on the subject with the focus on the OECS countries. But even within the OECS there would be cultural and

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social differences, and therefore if my observations do not apply in intensity, or even at all, then the reference would be to Saint Lucia which is the country that I know best.

The issues that I raise are just my observations and have not been the subject of scientific investigations but are nonetheless thrown out to provoke thought, discussions and possible research. Because of this approach I have used a number of specific illustrations rather than making broad general statements that tend to generally obscure the meaning and depreciate the impact of the message.

Finally, I will use a casual conversational style in the hope that the ideas would be more easily communicated and provoke more popular interest.

Foreign Tastes

Let me begin with consumption, a primary objective of mankind, and the major economic activity in any economy.

It is generally believed that many of us have preferences for imported goods and services and that the acquisition and possession of these are perceived to accord status and superiority. One Caribbean society scorns the breadfruit as “slave food” and housewives would not allow it on their dining tables, at least during formal functions. The quantity of imported wheaten foods and Irish potatoes that we purchase in any of our countries is more likely in excess of the ethnic foods that we export even though we are told that our unprocessed ethnic foods are better for our well being. How often have we heard that home-grown technical advice is seldom heeded, except to be criticised, but that the same advice that local technocrats feed to, or through, highly-paid foreign consultants are quickly adopted by our decision-makers! Is it not for the same reason that Lewis' advice and economic policy recommendations did not find much favour in his English-speaking Caribbean but were quickly and successfully adopted in other parts of the world?

Of course, I am not advocating that we should be a siege economy and try to be self-sufficient. I am fully aware that our small economies must, by definition, be open, and hence very import dependent. We do not have the capacity, nor would it be desirable and practical to sustain even our present standard of living by trying to be self-sufficient. There may be many valid reasons for our very heavy import dependence. We need a

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diversified consumption basket that local goods and services may not satisfy either because of unavailability, uncompetitive prices or poor and unsatisfactory quality and limited marketing. Notwithstanding these considerations there is still a great deal more scope for successful import-substitution.

What are the economic implications of our foreign tastes and manifested preferences for imported supplies?

The Keynesian Income Determination Model with its fundamental concept of the multiplier was the major post-war innovation in macro-economics. Today, it has lost its lustre and appeal but is still quite functional. While the model was developed and/or demonstrated for a largely closed economy, ironically, at least to me, its relevance and applicability is largely to open economies, where the concept of leakage outside the system is more relevant. Thus the classical open economy variant of the Keynesian Income Determination Model would postulate that the eventual change in income arising from an autonomous increase in income would be the reciprocal of the difference between the marginal propensity to export and import. The implication is that the lower the level of the marginal propensity to import and the higher the marginal propensity to export the higher is the impact on output and hence income. Put simply, our preference for foreign goods while we cannot sell what we produce is constraining our ability to generate domestic economic activity. If we could simply increase our economic multiplier from 2 (where we believe it is) to 2.5 we would have increased our domestic economic market and hence incomes by 25%. All countries push and exhort their nationals and residents to support local goods and services. Do we as producers and consumers do enough to achieve that objective for it is fundamental to our well being?

Our Time Horizon

The other problem with our consumption is that it is not only import-oriented but it is also inordinately high proportionately and comparatively, conspicuous, fad driven and focussed on instant gratification. This leads me to ask the question: As a people, what time horizon do we have? Do we have a long view? Does it go beyond our own lives? And what goals do we set? Of course, the longer the horizon we set and the more ambitious the goals, the better is the planning that we can do. How far do we go and what long-term results can we achieve if we allow such expressions as "one day at a

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time” or “live for today, tomorrow will take care of itself” dominate our lives? It would appear that the few times that we take a long view is in relation to our children; and certainly in the case of fathers it would be mainly for their children from legitimate relationships.

What are the economic implications for a people who have a short-term horizon? For a start it places a premium on consumption and therefore, conversely, does not give priority to savings. Yet savings, with its flip side, investment, is the foundation for self-sustaining growth. Apart from individual retirees who have benefited from a lump sum, how many savers are prepared to enter savings contracts for longer than one or two years at a time. (On an aside, it would be interesting to undertake a cross-sectional study to determine whether there are differences in the savings habits of demographic, income and ethnic groups in our societies in relation to varying time horizons). This poses a problem for the mobilisation of long term funds, usually for investment in the productive sectors. Little wonder then that there is such a wide difference in the maturity profiles of commercial banks assets and liabilities. This situation and commercial banks' capacity to provide long term financing is sustainable only because of the dominance of commercial banks in our financial system, the cooperation amongst commercial banks, and the liquidity support provided by the Eastern Caribbean Central Bank (ECCB), and more so, the Eastern Caribbean Home Mortgage Bank (ECHMB). Our apparent diversion to longer maturity, commercial bank deposit instruments certainly makes risk management and particularly asset/liability management a challenge for commercial banks.

Individualism

In our consumption and investment, our people seem to possess a strong sense of individualism or of “going alone” and, unlike in the past, they seem to be rapidly avoiding cooperative endeavours. There is also an apparent reluctance to cooperate even though this means the sacrifice of some freedom and independence to achieve a greater good. This is manifested in such facets of life as in installing individual fences and enclosures around very small house lots to delineate plot holdings, to being reluctant to invest in or to join with others in sharing investments in projects. It is also seen in the popularity of single family homes over owning and living in duplexes, multi-family homes and apartments.

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The result of this individualism is that we deny ourselves the benefits of synergy, the gains from critical mass and scale economies and in the process contribute towards increasing the per capita cost of our individual efforts and endeavours. This tendency is apparent not only in our individual efforts but also at the corporate and national levels. Corporate mergers are shunned while business enterprises engage in fatalistic, chaotic and suicidal competition thus resulting in a palpable waste of resources that our poor societies can ill afford. Mind you, it would not have been a problem if that individualism were in pursuit of new innovative areas. At most times, unfortunately, it is the replication of the same activity. For instance, if one were to visit a local market particularly those directed at visitors it would reveal that each higgler's offerings is the same as that of his neighbour. There is no attempt to cooperate in specialisation and diversification as is seen in flea markets and shopping malls elsewhere.

Real Estate and Asset Ownership

Possibly because of the limited availability of alternative financial and other related instruments we, as a people, seem to have a strong preference for owning real estate assets beyond the ownership of a residential home, which is the understandable and acceptable dream for all households and families. This behaviour could also have stemmed from our past when we were denied land ownership and such ownership became a symbol of success if not of added status. Since then our governments have compounded the situation by providing considerable incentives and encouragement for land ownership. As a result, in most, if not all our societies, real estate ownership constitutes the largest proportion of our wealth. Many undesirable economic implications arise from this behaviour. It means that this intense demand for land in countries with limited usable land resources and densely distributed populations drives up the price of land. This either reduces the availability of land for farming and/or increases the price uncompetitiveness of agricultural products and the viability of commercial farming. Many persons, especially the diaspora, hold either residential or agricultural land, not as a factor for use in immediate or even long-term production or utilisation but as a store of value for precautionary and even speculative purposes. These factors result in a large proportion of our limited land resource remaining underutilised or idle and not utilised in the economic interest of our societies.

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This ownership of real estate as a symbol of social status is particularly manifested in the size of the houses that we build for home ownership. In too many cases the size and cost of the homes that we build bear no prudent relationship to income and debt-servicing capacity but also do not provide a social and/or financial return to justify the investment. Thus, for instance, we build mansions of three to four thousand square feet to accommodate small households or for parents who are near retirement and have no more children at home. Our housing landscape certainly does not reflect our individual or household circumstances and incomes nor does it correlate with our per capita incomes. This happens because we use house size and home ownership as symbols of social status and indices of wealth and success. Also because of our individualism we tend to have an aversion to living in multi-family housing complexes. Yet, such complexes would not only provide the illusion of size and mask our individual share of the complex but also provide families with more synergies, economies and efficiencies, foster more co-operative living that could be beneficial in other social and economic spheres and endeavours.

In a related way there is the tendency for our people to be sentimental about real estate ownership and not to treat it as another economic or social asset. We tend to hold on to those assets and not to dispose of them when they have served their purpose and when an alternative asset would be more appropriate, beneficial and more financially rewarding. This tendency is being extended to the ownership of corporate shares and could possibly pose a challenge for the development of the sub-region's capital market. In general this aversion to asset trading denies the economy the opportunity of putting its assets to the most economically and socially beneficial use.

Tertiary Education

Next to home ownership, expenditures on tertiary education constitute the most important form of investment by individuals and households. This in itself is quite a welcome and progressive development. Many individuals and families see, rightly, that education is not only an important avenue for social mobility but also a means of improving worker productivity and promoting development. Lewis himself, in many of his writings advocated that much more effort should be made to have a much higher proportion of our young people gaining access to tertiary education. As Principal and later as Vice Chancellor of the University of the West Indies (UWI), and despite internal opposition

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from students and others who wished that such education should be restricted to a privileged class, he made every effort and succeeded in opening up university education to the so-called masses. In fact the epitaph that was deemed to be most fitting for his tombstone on the compound of the Sir Arthur Lewis Community College – an institution which was named after him - is “The Fundamental Cure for Poverty is not Money but Knowledge”.

Unfortunately, there are a number of factors that prevent the countries from gaining the full benefits of their expenditures on education.

The first major aberration is the perception and practice of seeing education as being equal to certification and that education and its associated certification is an end and not a means to improve behaviour and a tool to enhance productivity. Except, perhaps, in the professions of medicine, law and engineering, too often graduates do not apply the theories and principles, analytical techniques and methodologies, and critical reasoning skills that they have, or should have acquired from education, in their daily work and living situations. Graduates, too often, dichotomise study from work and life and do not recognise and live the dictum that “school is for life”. Many do not follow the notion that the end of school is the beginning of life and that during the course of living and working they should apply whatever appropriate knowledge has been acquired from school. In addition, and importantly, that they should also attempt to keep abreast of developments and advancements in their disciplines and to apply these wherever it is appropriate to do so.

The second major aberration lies in our very heavy brain drain. This derives from a number of causes not least of which would be: limited and narrow domestic employment opportunities; weak patriotism and loyalty to provide service to country; and barriers placed by unqualified persons in positions of authority who see incoming qualified skills as threats to their positions. The extent of the problem can be gauged through a simple reflection on the number of the sixth-formers in any year that are in the region providing service. In addition many of our most enterprising and entrepreneurial have migrated from our tradition bound and conservative societies. This they do because our environments promote on the basis of seniority rather than on performance; reward mediocrity and passivity rather than excellence; and provide limited rewards for

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innovation, proactivity, initiative in taking up challenges and achieving supernormal performance and success.

The third major aberration lies in the limited practicality and theoretical orientation of our training which more than likely is derived from our English heritage. Too much rote learning seems to be the norm while insufficient focus and attention is directed at being analytical and creative. The limited attention to continuous assessment and the focus and the undue weight given to terminal exams all help to reinforce the notion that passing an examination by regurgitating information learnt by rote is the path to success. Few of our graduates seem to recognise that education is a life-long process and that graduation from a tertiary institution is just the beginning of the process.

Given those tendencies surrounding our two most important areas of investment: real estate and education it is not surprising that the efficiency of our investment is low. The incremental capital output ratio or simply the capital efficiency ratio, an indicator that was often used by Lewis in his writings on planning to measure investment efficiency, is sometimes as low as 1.5 compared with a reasonable level of 4. Given our low savings levels and the comparative inefficiency of our investment compounded by our relatively high rates of population growth, we are forced to depend heavily on foreign savings to allow us to grow at a rate that can sustain even our current low standard of living.

Risk Tolerance and Profile

Simply put investment means making a significant resource outlay in the present with the objective of making greater returns later, possibly over time. Analysts postulate a risk/reward relationship that implies that the greater the return potential the greater is the level of risk that one is prepared to take. What is our societies' appetite for risk? For whatever the reasons we do not appear to be a people who are prepared to take undue risks. We prefer to lodge our savings in the safety of commercial bank deposits rather than to invest in equity in productive enterprises. When we do invest we minimise the amount of equity that we inject and expect the lender, invariably the bank, to carry an inordinate amount of risk via the debt leveraging that is sought. We treat overdrafts as virtual equity but coming from the bank. We are much more comfortable with a comparatively low paying salaried job than to pursue, possibly more lucrative, self-employment. If we do become entrepreneurial we seek the safety of margin gathering in

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the domestic distributive trades rather than face the challenges and seize the opportunities in the directly productive sectors particularly for the global markets.

The jury is still out on whether we are innately risk averse or whether we are because of the weak enforceability of existing institutional arrangements to protect such relationships; or is it because there are limited opportunities for these investments even though foreign investors can cooperate in the pooling of resources to craft profitable opportunities in our countries. All seem to have some bearing. Research work needs to be done to determine the obstacles or otherwise to the continuing limited availability of domestic risk capital that is so essential to sustained development - a situation that may seriously impede the progress of our development.

Profits

Our attitude to investment may well have a bearing on the social perception of profits. Just as price is determined by supply and demand and is the centre of the trading system, so is profit and its maximisation at the heart of our capitalist system. Profit is not only the return that investors receive for taking risks with their capital but it is also a measure of, and reward for, efficiency in a competitive environment. The greater the level of risk the higher the rate of return the investor would expect to induce investment.

But how does our society view profits. Unfortunately, it is not seen positively as an essential reward for risk-taking and which itself is good for our economies. It is not recognized that unattractive returns on investment result in limited risks being taken eventually leading to stultified and sluggish growth. Profits are seen by many as a return that results from consumer exploitation and price gouging. At most times there is no distinction drawn between the return on capital and the absolute level of profits made. For instance, a profit of \$20M which is the result of a low 8% return on capital would most likely be seen as exploitative compared to a profit of \$1M that is generated from a 45% return on capital. The popular and media responses to declarations of large absolute (but not relative) profits are quite derogatory. Profit makers are perceived as social villains. There is also the practice among some consumers to avoid, wherever possible, patronising companies, even small businesses, that are perceived as generating profits as they perceive that as being achieved at their expense. The result is that many businesses substitute other terms such as 'surplus' and 'net income' for the term profit, while others

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use evasive means to avoid declaring profits. There is so much fear (or is it ignorance) of profits that even some development financing institutions would subscribe for equity and quasi-equity positions in businesses for a rate of return that is lower than the rate at which they would lend on a more secured basis!

Such behaviour has many negative economic implications. It reduces the inclination to invest and hence the availability of investment capital and/or increases the price at which capital can be attracted. It makes the start up of public companies that have much more disclosure requirements, quite difficult. It does not send the right signals to young potential entrepreneurs who could be discouraged in our small societies to seek rewards through taking risks. To the extent that true profits are not known it affects the effective working of the main mechanism of our competitive system. Business leaders are not accorded the social status, and more so, have difficulty enjoying the rewards of their efforts at risk taking.

The result is that we lose the investments that we critically need. We do not develop and encourage entrepreneurship. We lose our more enterprising people to the rest of the world. We lose the direct benefits of profit as those who make it and do not wish to disclose or be conspicuous with it consume or invest it elsewhere. In short, the negative values that we attach to profits are diametrically at odds with our investment needs.

Consistency of Sectoral Specialisation With Attitudes

OECS economies, out of necessity and exploiting some natural advantages and opportunities, have short circuited the so-called natural growth path and moved from being an agrarian economy to a service economy without going through the so-called "industrial society" stage. This is complicated by the fact that the agrarian stage was not 'peasant' based but a plantation one based on a slavery system with different races dichotomised between master from one race and slave from another. Consequently, this has left our people with attitudes and social scars that could be inconsistent with operating in a service economy, particularly the way that these economies are racially structured. In many of our economies service is still equated with subservience and servitude and hence inter-racial service is particularly resented.

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The discipline of punctuality has not been inculcated into our people's values. Punctuality at meetings and for other appointments may be perceived not as good time management but as one not having enough work to do at one's desk or being a slave to the face of the clock. How often do people say that they do not want to be early at social functions because of the negative connotations that are associated with such punctuality.

Manual labour is regarded as low status and hence avoided even though the person seeking employment is jobless and could be usefully and profitably employed in these occupations even on a temporary basis. This of course compounds our employment problem, a matter made worse by persons who have inflated notions of their capacities and hence values to their organisations and employers.

We see more value in physical assets than in services. The value of many professional services to businesses is not appreciated, at least to the point of being willing to pay the commercial value. Except where it is mandatory or statutorily determined, how difficult it is to get potential home owners to see value in, and to utilise the services of architects, quantity surveyors, land surveyors, structural engineers and landscape architects. We would easily expend \$500,000 to construct a large house but balk at spending 6% of that amount to get it designed aesthetically and spatially to suit our lifestyle and living needs. But we would then wonder why the foreign owned, but architecturally designed homes, have more market value and attract higher rents than the more costly locally owned homes. Similarly, many businesses, even medium-sized ones, do not appreciate and utilise the services of financial and management accountants, marketing, general and human resource management specialists, industrial psychologists, economists and financial and project analysts. Maybe these are not used because their value is not appreciated, but whatever the reason, the consequences are very negative on the efficiency and productivity of capital and recurrent expenditures, thus reducing our economic competitiveness.

Sanctity and Discipline of Contracts

Verbal and written contracts, understandings and conventions are the base rock and underpinnings of our corporate and legal systems and are essential for the functioning of business. We inherited these legal and corporate systems from the English, where contracts are sacred obligations and impose discipline in delivering prescribed behaviours

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and outcomes. In our region, particularly at the levels of small businesses and individuals, we violate contracts of service, construction, finance, supplies, with impunity. This practice when observed by Lewis led him to comment as follows in a speech on Entrepreneurship:

“An achiever feels an acute sense of failure every time he has to make an excuse for non-performance, however valid. But in some Third World countries one gets the impression that the largest industry is the manufacture of excuses for non-performance and pride in the artistry of one's excuses is widespread.”

If we cannot faithfully honour time, cost and specification contracts, we would be further seriously disadvantaged in this internationally competitive business world.

Conclusion

There are a number of other issues of major social and economic import that will not be delved into because the societies are fully aware of many of these. For example, there is the rapid marginalisation of the male and the unequal socialisation of the sexes. There is also the poor attitude to work and employment.

Let me conclude by answering the original question and justifying the answer with a summary of what has been said.

Our socialisation is a constraint on our development.

The most simple model for economic growth for any economy depends on the foundations of consumption, production, savings/investment and efficiency. Basically, to grow we need to create markets for our goods and services by getting domestic and foreign consumers to have a preference for our local goods and services. Secondly, we need to produce to supply the created market but to succeed our production must be competitive in terms of price, quality and timeliness of supply. To achieve this we need to invest smartly and efficiently to create an environment for efficient production. To get the most for our efforts we need to save so as to reduce our dependence on foreign savings and hence derive and realise greater economic benefits for ourselves. And all of these must be done cost-effectively.

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But how does our culture affect these processes? If we do not demonstrate a preference for our local products we reduce the leverage that consumption of domestic goods has on the local economy and certainly does not encourage foreigners to show preference if we do not show a preference ourselves.

Our production is affected by the fact that our two primary sectors: agriculture and tourism are constrained by historical legacies that cause us to shun agriculture based economic pursuits, or to feel that service is synonymous with servitude. Our short-term horizon and the inclination for instant gratification reduce our savings levels to amounts that are insufficient to generate the necessary growth for our development.

It is in the area of investment that we experience the greatest number of constraints. The already limited quantum of domestic savings is directed at investments that are very low risk and used to finance conspicuous unproductive assets, while we tend to be too individualistic with our investments thus denying ourselves synergies and scale economies. Our perception and attitude that profits are exploitative, discourages not only local investment but also foreign investors.

I wish now to conclude on a philosophical tangent of fundamental import.

Economics can also be defined as the study of man making choices to optimise benefits in order to maximise consumer satisfaction and human welfare. In this sense an individual or a society can be satisfied with its socio-economic condition even though that condition may not be acceptable to others. We should not be imposing our value systems and preferences on others but at the same time, others should not feel that societies owe them when they wish to pursue their value systems and preferences that may be at variance with that of the society in which they are a part. In other words, one should not try to eat one's cake and have it. You cannot, and should not, wish to enjoy a high material standard of living while you are not prepared to make the necessary sacrifices to obtain it.

I said earlier that our socialisation is a constraint on our development (as the rest of the world knows it). However, it may be that we, as a society, wish to preserve our culture

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and value systems even at the expense of denying ourselves some of the material and other rewards that others may feel should be the aspiration for all. And it should be our right to do so.

Economics assumes existing value systems as the underpinning of behaviour and does not (and possibly should not) seek to change them. What we as leaders and policymakers can do is to ensure that:

- societies are made aware of and know their options and choices;
- they have the capacity to make informed decisions;
- they are equipped to utilise their faculties and skills to sustain themselves;
- a conducive and cost-effective framework exists which allows persons, if they so wish, to use their energies and resources to the full to maximise their satisfaction.

People should have the freedom to choose and have the discipline and strength of character to live with the consequences of their choice. Society should give them the space to live as long as they abide by the laws of the land. And we should respect their decisions and choices and feel no social obligation even though there may be a moral but voluntary imperative to assist them. The present practice, possibly stemming from political considerations, of pandering to social deviants by diverting resources mobilised from conformists to the needs of these deviants is inequitable and a disincentive to the conformists and could possibly be a drain on our development.

Alas, none of these issues is new. They were first systematically observed and brought to attention by Lewis, who is considered at least by the Indians as the father of Development Economics. His analysis of and prescriptions for the issues are as relevant today as when they were first brought to attention. Though Lewis has long departed he still has much to offer if we would only pay attention. In fact he may still have had his wish as his

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writings and works are as fresh and topical and relevant today as when they were first written.

I thank you for your forbearance.