

All We've Learnt^{*}

Colonial Teachings and Caribbean Underdevelopment

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Abstract

Culture matters and development programs that rely on indigenous markets, that amplify local sensibilities which encourage entrepreneurial creativity, that build on an understanding of not only the specific organizational but institutional environment where they are being attempted, in short, efforts erected on the cultural capital of the context where it is being attempted will succeed. Efforts at cultural imperialism will not. This paper argues that in order to understand West Indian economic underdevelopment, the saliency of the informal institutions that emerged during its colonial period and the effect these institutions have had on the emergence of a local entrepreneurial class can not be discounted.

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I. Introduction

It has become almost old hat to comment on how much like paradise the islands of the West Indies are. To claim that their beaches are the most beautiful in the world, that their climates are the most temperate and that their people are as warm and friendly as people are anywhere. Similarly, it has become quite common for scholars, and politicians, and tourist boards alike, to catalogue the region's embarrassment of riches and potential. The West Indies¹ have been blessed with fertile soils ideally suited for the cultivation of everything from bananas to tobacco, with easily negotiable waters teeming with crabs, crawfish and conchs, with substantial deposits of oil (as in Trinidad), bauxite (in Jamaica) and even gold (in Guyana) and with literate and industrious populations. That these statements have become cliché, however, does not deny their accuracy and does reveal a paradox: why are these island nations, so rich in potential and resources, so poor?

Unfortunately, by almost any economic measure these island nations are amongst the world's poorest. Although the growth rates of many of them have improved in recent years, with the exception of the Bahamas, Barbados and Antigua, national incomes are still quite low. In Jamaica and St. Vincent, for instance, per capita gross domestic product is still less than three thousand dollars. Double-digit unemployment is pandemic and the gap between the richest and the poorest citizens is widening. Additionally, many of these island nations have suffered from chronic balance of payment problems, successive currency devaluations, recurrent episodes of high inflation and extraordinary levels of external indebtedness. Their staple industries are in decline and their leading export crops no longer receive privileged terms of trade from their former colonial masters. And, even worse, *these countries have failed to develop*; their economies have remained *mono-sector*, they have *failed to evolve a dynamic class of entrepreneurs* and they have been *unable to treat the social ills* that have accompanied underdevelopment.

Why are these island nations so poor in spite of their resources? By focusing on the entrepreneur, her role in the development process and the relationship between institutions, particularly cultural attitudes, and her efforts we believe that we will be in a better position to answer that query. Similarly, we believe that any satisfactory reply to that question must at least confront the (most often deleterious) effect the region's colonial past has had on West

¹ The terms "West Indies" and "Caribbean" will be used interchangeably throughout this paper with both referring to the former British colonies in the region. These countries include: Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts, Nevis and Anquilla, St. Lucia, St. Vincent and Trinidad and Tobago.

Indian psyches and societies. Colonialism has had a profound effect on regional attitudes and practices and, indeed, the institutional legacy of colonialism cannot be exaggerated.²

Arguably, this move, to bring the study of informal institutions to the fore of our development analysis, that is to *endogenize* culture, is particularly opportune given the current state of development theory.³ Increasingly, scholars are becoming dissatisfied with theories of development that fail to consider the social, political, historical and cultural context in which businessmen and potential businessmen find themselves and with theories that fail to endow actors with customs, values and beliefs.⁴ Recent work by Chamlee-Wright (1997), Fukuyama (1995), Harrison (1992) and others has attempted serious considerations of how beliefs, norms, customs and convictions affect entrepreneurship.⁵ Our analysis here is consistent with many of these prior efforts.

Not surprisingly, *Section II*, therefore, begins with a discussion of entrepreneurship and the entrepreneur's role in the development process. She is located at its heart and is a bold, creative, disequilibrating force (an innovator) that initiates enterprise and extends the range of possible profit opportunities. Enterprise, however, does not occur in a vacuum. Rather, it is engaged in by individuals operating within a particular context, possessing particular attitudes and kinds of knowledge and holding particular beliefs. Understanding underdevelopment, therefore, requires that we at least consider, if not concede, that institutions might emerge and persist which impair entrepreneurial discoveries and impede development efforts.

² Rodney (1981), for instance, does not exaggerate when he states that, "the only positive development in colonialism was when it ended." Apologist opining that colonialism was a net good and that it laid the intellectual and economic foundations necessary for the development of African peoples is simply unconvincing.

³ See Escobar (1995), Leys (1996), Norgaard (1994) or Hill (1986) for cogent appraisals of the state of development theory.

⁴ But, as Boettke (2001: 262) cautions us, "culture as a concept should not be held up in contrast to economic principles. The importance of culture as a core concept in social analysis can only be understood through the aid of economic logic. Economic logic establishes certain necessary, although not sufficient, propositions for social theory. Culture establishes limits to the *acceptance* of policy implications of economic logic in an above-ground and transparent setting."

⁵ A sharp distinction between Chamlee-Wright's work and Fukuyama and Harrison should be drawn before proceeding any further. Whereas Chamlee-Wright goes to considerable lengths to present Ghanaian culture as both a diverse and complex background against which the actions of individuals are negotiated and interpreted, Fukuyama and Harrison can be accused as doing "checklist ethnography." Admittedly, Fukuyama is not as crude as Harrison. Harrison (1992), for instance, has gone so far as to propose a checklist by which we could score cultures to determine whether they were *progress-prone* or *progress-resistant*. Pretending that there are not competing themes within cultures, Harrison (1992, 18), for example, argues that "religion explains and justifies success in a development-prone culture. In a development-resistant culture, religion relieves and explains suffering." That there exists religions that both "explain and justify success" (ibid.) and that "relieves and explains suffering" (ibid.) within

Section III, explores Caribbean culture, searching for attitudes that distort or disturb the evolution of entrepreneurs in the region. Two beliefs that are widely held in these societies are highlighted: the festering pessimism regarding the possibility of entrepreneurial success (at least in the absence of political connections and patronage) and the view that government can and should be the engine for economic change. We argue that their roots and their rootedness are explained by the region's colonial experience and their resiliency by the degree to which colonial structures and strictures still dominate West Indian societies. *Section IV*, summarizes these arguments.

II. Attitudes, Entrepreneurship and Underdevelopment

. . . the entrepreneur and his function are not difficult to conceptualize: the defining characteristic is simply the doing of new things or the doing of things that are already being done in a new way (innovation).

It should be observed at once that the "new thing" need not be spectacular or of historic importance. It need not be Bessemer steel or the explosion motor. It can be the Deerfoot sausage. To see the phenomenon even in the humblest state of the business world is quite essential.

[Schumpeter 1991, 412]

The entrepreneur, in all her guises, is increasingly being recognized as, "the driving force of economic change, bringing innovation, creativity and coordination to the economy" (Lavoie 1991, 32; see also Kirzner 1973, 1979; Schumpeter 1983). Schumpeter, for instance, has characterized her as the *sine qua non* of the development process; without her economic development, as Schumpeter understands it, cannot occur.⁶

the same culture is not considered; nor is the scenario where the same religion emphasizes different themes depending on the needs of its congregation (Storr 2000a).

⁶ The decision taken here, to rely on Schumpeter's entrepreneur (at this stage) rather than Kirzner's, is a conscious one encouraged by multiple motivations: (1) For one, I agree with Kirzner that the two entrepreneurs are quite similar. As Kirzner (1973: 79) notes, "in many respects the picture of the entrepreneur which I have sought delineate shows much resemblance to that elaborated by Schumpeter." (2) Also, Kirzner is not concerned with understanding development, a process with which we are principally concerned here. Kirzner (ibid.: 81): "For Schumpeter, entrepreneurship is important primarily in sparking economic development; for me it is important primarily in enabling the market process to work itself out in all contexts – with the possibility of economic development seen merely as a special case." This is not to say that Kirzner's schema can not be meaningfully employed to talk about economic development. On the contrary, I believe that Kirzner's entrepreneur can be fruitfully used to discuss development concerns (see Storr 2000, Storr 2002a). I even use Kirzner's notion of alertness at various stages in this paper. (3) And, there is Kirzner's new found sympathy for Schumpeter's entrepreneur. Kirzner (1999: 5): "For understanding the 'creative destruction' which Schumpeter sees as the distinguishing feature of the capitalist system, Schumpeter's portrayal is valid and essential."

Carrying out New Combinations

For Schumpeter (ibid., 66), development is, “defined by the carrying out of new combinations.”⁷ As such it refers to changes, spontaneous and discontinuous changes, in the economic system that appear “in the sphere of industrial and commercial life” (ibid. 65)⁸ and that involves:

- (1) The introduction of a new good – that is one with which consumers are not yet familiar – or of a new quality of a good.
- (2) The introduction of a new method of production, that is one not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially.
- (3) The opening of a new market, that is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.
- (4) The conquest of a new source of supply of raw materials or half-manufactured goods, again irrespective of whether this source already exists or whether it has first to be created.⁹

Schumpeter is careful to point out that the “carrying out of new combinations” is not merely the discovery of resources that had previously been idle; although, the absence of the sort of change that he describes is a compelling explanation of resource idleness. Nor is development simply a matter of discovering more untapped oil reservoirs in

⁷ Although this conception of development, conceived of as “the carrying out of new combinations,” is not entirely incompatible with mainstream conceptions, several salient features of Schumpeter’s formulation distinguish his view from the ones held by the bulk of the profession. One fundamental difference is the way in which capital and credit are employed. In standard formulations, economic development is principally a matter of capital accumulation; with capital treated as homogenous fully divisible units of some “thing” that enters into an aggregate production function and is transformed into output. [See Jones 1998 and the first three chapters of Romer 1996 for an overview of the macroeconomic literature on economic growth.] Although Schumpeter also emphasizes the importance of credit and capital, development in his scheme is not reduced to the outcome of some aggregate phenomenon. That society is adding to its capital stock is less important than how individuals are using its current stock and which individuals are directing its use. It matters for Schumpeter whether an *entrepreneur qua entrepreneur* or a businessman is controlling capital and deciding on how it is used. Another distinction, that is perhaps implicit in the difference in orientation expounded above, regards how standard formulations and Schumpeter treat growth. The macroeconomic literature talks about economic growth and economic development as if they are synonymous. By development Schumpeter, however, has in mind something more fundamental.

⁸ “. . . not in the sphere of the wants of the consumers of final products” (ibid. 65). Schumpeter (1983: 65): “. . . we must always start from the satisfaction of wants, since they are the end of all production, and the given economic situation at any time must be understood from this aspect. Yet innovations in the economic system do not as a rule take place in such a way that first new wants arise spontaneously in consumers and then the productive apparatus swings around to the pressure. We do not deny the presence of this nexus. It is, however, the producer who as a rule initiates economic change, and consumers are educated by him if necessary; they are, as it were, taught to want new things, or things which differ in some respect or other from those which they have been in the habit of using.” It is on this basis that Schumpeter can claim that the entrepreneurial function is disequilibrating, a claim that Kirzner takes umbrage with. It is also on this basis that Schumpeter is able to deal with development from the perspective of “commercial life” and is therefore able to assert the importance of the entrepreneur in explaining the process.

⁹ Schumpeter includes a fifth point: “The carrying out of the new organisation of any industry, like the creation of a monopoly position (for example through trustification) or the breaking up of a monopoly position.” Why this case is included in Schumpeter’s system, however, is not clear. That a change of this sort does impact the phenomena in

Trinidad or more unexploited ports of call in the Bahamas. Instead, Schumpeterian development is “the different employment of the economic system’s existing supplies of productive means” (ibid., 68). Notice, however, that this process needs a catalyst. It wants someone or some “type” to set it in motion. Who, in Schumpeter’s formulation, carries out new combinations? Who has Schumpeter cast as the star in this development drama?

As stated earlier, Schumpeter has employed the entrepreneur to play that part. And, in his plot, she is more than just a risk bearer (as she is in Knight’s schema) and she does more than merely staying alert to unrealized profit opportunities (as she is limited to doing in Kirzner’s system). Instead, the Schumpeterian entrepreneur is an innovator; a creative force who initiates enterprise (“the carrying out of new combinations”) and extends the range of possible profit opportunities. She has an incentive to do this, to initiate enterprise, because of the possibility of capturing entrepreneurial profits and, according to Schumpeter, she has the capacity to do this because of the availability of credit.¹⁰ But, what, if anything, explains her competence? How is she able to determine which new combinations will be profitable and are thus worth pursuing? Additionally, how does she know, or rather what allows her to guess, which new products will prove marketable and which new markets are possible? And, under what circumstances, besides the unavailability of capital and credit, is she hampered in her efforts?

Unfortunately, on these points, Schumpeter is silent although it is on precisely these points that we are most anxious for (and in the most need of) answers. Dismissing Schumpeter for his silence here, however, would be folly. Although he does not carry us the entire length of our journey, Schumpeter and his development theory, with its emphasis on entrepreneurship, has brought us quite far. By defining development in a way that stresses both the discoveries of untapped resources and of new ways of utilizing existing factors, he makes identifying roadblocks the task of those of us who would try to understand underdevelopment. Additionally, it is because Schumpeter has stressed the importance of institutions, particularly credit and capital, that we have become curious about other institutions that might aid or impede the process. It is here that North’s work on institutions and institutional change and Mises’ work on ideology and human action are particularly helpful.

question is without question, but to term it as development seems inappropriate; particularly, if this “new organization” has been brought about by government action.

¹⁰ Schumpeter (1983: 70): “... talent in economic life ‘rides to success on its debts’ . . . it is as clear *a priori* as it is established historically that credit is primarily necessary to new combinations and that it is from these that it forces its way into the circular flow, on the one hand because it was originally necessary to the founding of what are now the old firms, on the other hand because its mechanism, once in existence, also seizes old combinations.”

And, although he does not carry us the length of our journey, several clues in Schumpeter's theory do, however, propel us along a fruitful trajectory. His insistence on presenting us with a dynamic theory reminds us that all action occurs over time, that actors, therefore, face profound uncertainty and that they are, thus, radically ignorant.¹¹ His focus on the "non-hedonistic" motivations of entrepreneurs, although brief, compels us to be mindful of the various ways that a society's culture and values can affect the goals and, thus, the behavior of entrepreneurs. If, for instance, the founding of "private kingdoms" were frowned upon (or believed to be futile) in a particular culture, then we might expect the intensity of entrepreneurial efforts in that society to be less than it would be otherwise.¹² And, his similarly brief but useful focus on habits and the danger of their dissuading would be entrepreneurs from carrying out new combinations, alerts us to the possibility of informal institutions emerging which lock societies into conditions of underdevelopment.

Mises, North and the Problem of "Inefficient" Beliefs

Man appeared on the scene of earthly events as a social being. The isolated asocial man is a fictitious construction.

[Mises 1963, 165]

Inheritance and environment direct a man's actions. They suggest to him both the ends and the means. He lives not simply as man *in abstracto*; he lives as a son of his family, his people, and his age; as a citizen of his country; as a member of a definite social group; as a practitioner of a certain vocation; as a follower of definite religious, metaphysical, philosophical, and political ideas; as a partisan in many feuds and controversies. He does not himself create his ideas and standards of value; he borrows them from other people. His ideology is what his environment enjoins upon him.

[*ibid.*, 46]

The theories directing action are often imperfect and unsatisfactory.

[*ibid.*, 178]

¹¹ Schumpeter (*ibid.*, 85): "Carrying out a new plan and acting according to a customary one are things as different as making a road and walking along it. How different a thing this is becomes clearer if one bears in mind the impossibility of surveying exhaustively all the effects and counter-effects of the projected enterprise. Even as many of them as could in theory be ascertained if one had unlimited time and means must practically remain in the dark. . . in economic life action must be taken without working out all the details of what is to be done."

¹² Schumpeter saw the founding of "private kingdoms" as a major motivation for entrepreneurial efforts. Schumpeter (1983, 93): "First of all, there is the dream and the will to found a private kingdom, usually, though not necessarily, also a dynasty. The modern world really does not know any such positions, but what may be attained by industrial or commercial success is still the nearest approach to medieval lordship possible to modern man. Its fascination is specially strong for people who have no other chance of achieving social distinction."

What Mises calls “theories” and “ideologies” are none other than what North refers to as informal institutions. And, as in North’s system, these “theories” serve to guide the decisions of individuals by delimiting choices, reducing genuine uncertainty and, thus, enabling us to act in a world where the future is not only unknown but unknowable.¹³ Before embracing such a dialectic, however, that is, before understanding choice is this way, as being both constrained and enabled by “often imperfect and unsatisfactory” theories, several important issues must at least be considered. Chief amongst them is whether erroneous theories or ineffective/inappropriate institutions can emerge and what, if anything, might allow us to weed out bad habits and incorrect perceptions.

Mises in discussing the role of ideas explains how ideology affects action. Every action, according to Mises (1963: 177), “is preceded by thinking. Thinking is to deliberate beforehand over future action and to reflect afterwards upon past action. Thinking and acting are inseparable,” he continues, “[and] every action is always based on a definite idea about causal relations.” Believing that water will cure thirst, that a day at the beach will be enjoyable or that reading Ludwig Lachmann’s *Capital, Expectations, and the Market Process* will impart knowledge logically precedes drinking water, going to the beach and reading Prof. Lachmann’s collection of articles.

But, what if water did not cure thirst? According to Mises, maintaining incorrect views about casual relationships eventually becomes costly and so actors, because they are rational, inevitably modify them. Similarly, humans indulge in habits only because we like their effects. Once we discover that this indulgence is getting in the way of our attainment of more desired ends or we learn that these habits are not beneficial in the way we once thought they were, we will change them (ibid.: 47). To demonstrate, Mises offers this anecdote:

A man brought up in an area in which the water is clean acquires the habit of heedlessly drinking, washing, and bathing. When he moves to a place in which the water is polluted by morbid germs, he will devote the most careful attention to procedures about which he never bothered before. He will watch himself permanently in order not to hurt himself by indulging unthinkingly in his traditional routine and his automatic reactions.

Ultimately, what is most appealing about Mises’ *theory of ideology* from our perspective, however, is not what it does explain but what it does not (can not). As noted earlier, falsehoods, according to Mises, are rejected when they are revealed to be falsehoods. Habits are, similarly, modified when they become too expensive, that is, when they no

¹³ Others have made a similar point. Lachmann (1976), for instance, has suggested that “the future is unknown but not unimaginable.” In Lachmann’s schema it is institutions, which act as a *guideposts* or *points of orientation*, that allow us to imagine the unknowable future. Also see Schutz (1967).

longer serve their purpose. But, what if falsehoods are never exposed? And, what if actors do not possess the necessary information to assess the cost of maintaining this or that habit?

Notice that Mises does not argue nor, I would assert, could he have argued that his “heedless” drinker’s attitudes would have been similarly revised if the pattern of migration were the reverse. If, for instance, the man grew up where the water was polluted and then moved to the cleaner environment, he might never try the unpolluted water without devoting “the most careful attention to procedures.” And, as such, he might never acquire the *reckless* habits that natives of the cleaner context develop.

Consider now an actor who believes that her entrepreneurial efforts will not succeed unless she is able to gain the support of someone who has political power; an actor who believes that unless she can win a political favor she will not (can not) succeed in business. Clearly, if she is committed to this view and she is not politically connected she is unlikely to engage in entrepreneurship. Note that this “apathy” results whether or not her beliefs have “objective” merit, as her beliefs, because they induce inaction rather than action, will never be tested.¹⁴ Consider, also, a “huckster” of African descent who believes that, because his is a highly xenophobic context, he will never be able to “grow” his business. Seeing other blacks succeed need not alter his perception about his own possibilities of success as their fortunes can be explained away as flukes or tokens.¹⁵ Note that if he does not save and reinvest in his enterprise because he believes that efforts of that sort are futile, his doubts about his and his enterprises potential will be realized.¹⁶

Interestingly, North (1990, 1994), though employing a different logic, arrives at a similar result: the *lock-in* of inefficient institutions and erroneous beliefs. Rather than arguing that some beliefs though inefficient might never come to be falsified and, thus, might never be modified or rejected as we have argued above, North argues, instead,

¹⁴ Harper’s (1996) rendering of entrepreneurship as a process through which Popperian conjectures are falsified is relevant here. If entrepreneurs reject hypothesis (about the viability of some venture) without subjecting them to the market for testing, the market process will not perform as it could. Additionally, as there is no way for an entrepreneur to accurately appraise the cost of doing nothing (that is, the cost of rejecting hypothesis prior to testing it in the market), there is no reason to believe that he/she will ever consider this cost as being high enough to cause her to act.

¹⁵ See Festinger’s (1957) pivotal *Theory of Cognitive Dissonance* and the expansive body of literature it spawned.

¹⁶ This is what Kirzner (1997) has called an error of “over-pessimism.” As Kirzner (1997,45) suggests, “errors of over-pessimism are those in which superior opportunities have been overlooked.” These types of errors should be distinguished from errors of over-optimism, which occur “when a market participant expects to be able to complete a plan which cannot, in fact, be completed.” A definite parallel can be drawn between Kirzner’s discussion of over-pessimism and the way I use Mises’ discussion of habits here.

that inefficient institutions persist because it is simply too difficult to transform them.¹⁷ For North, informal institutions are simply resistant. And, because he focuses on “belief systems expressed as institutions” rather than beliefs held by atomistic individuals, North is able to wrestle with the possibility of “sticky” institutions (whereas Mises can not), and is, similarly, forced to consider how social attitudes are mediated and enforced by cultural forces.

In North’s system, societies are path dependent and it is entirely possible for them to get “stuck in an institutional matrix” that, for instance, “rewards piracy” (North 1990, 110) or that failed to “evolve into the impersonal exchange essential to capturing the productivity gains that came from the specialization and division of labor” (North 1994, 364). Or, to get “stuck” in an institutional matrix that impairs entrepreneurial discoveries and impedes entrepreneurial efforts. As it is culture that embodies “the cumulative experience of past generations” (ibid.),

. . . it is culture that [therefore] provides the key to path dependence – a term used to describe the powerful influence of the past on the present and the future. The current learning of any generation takes place within the context of the perceptions derived from collective learning. Learning then is an incremental process filtered by the culture of a society which determines the perceived payoffs, but there is no guarantee that the cumulative past experience of a society will necessarily fit them to solve new problems. Societies that get “stuck” embody belief systems and institutions that fail to confront and solve new problems of societal complexity.

Learning, North (ibid.) continues, is a function of, “(i) the way in which a given belief structure filters the information derived from experiences and (ii) the different experiences confronting individuals and societies at different times.” As such, it is understandable why actors in medieval Europe believed that the rate of return from military technology was high, why actors in Rome during and after Constantine believed that there was a high return to “the pursuit and refinement of religious dogma,” and why during the “Age of Exploration” actors perceived that there would be a high payoff for developing an accurate chronometer. A problem only results if those perceptions are not updated when conditions change. Unfortunately, as North informs, this *lock-in* of inefficient (erroneous) beliefs happens frequently.

¹⁷ Note also that “belief systems expressed as institutions” even when they become costly are modified only incrementally.

Culture in North's system is, thus, *the dead hands of past generations reaching up from the grave*, as it were, to direct the living.¹⁸ Within the Caribbean, we should be aware, therefore, that the cumulative learning that is being transmitted is the cumulative learning of a colonized and enslaved people; that most of the *dead hands*, if you will, were shackled. What effect has this had on West Indians? And, more specifically what effect has this had on West Indian economies? *Section III*, in an attempt to answer such queries, therefore, explores which kinds of lessons these "colonized and enslaved" generations have taught and what effect their teachings have had on entrepreneurial discoveries and development efforts.

III. All We've Learnt: Capitalism, Corruption and the Cultural Legacy of Colonialism

Have you ever wondered to yourself why it is that all people like me seem to have learned from you is how to imprison and murder each other, how to govern badly, and how to take wealth of our country and place it in Swiss bank accounts? Have you ever wondered why it is that all we seemed to have learned from you is how to corrupt our societies and how to be tyrants? You will have to accept that this is mostly your fault.

[Kincaid 1988, 34]

That colonialism on net "benefited" the colonized is a myth. A myth that has roots in the same logic that was used to "justify" colonialism in the first place and that has "legs" only because of the existing poverty of information about the extent of development the first colonialist encountered. Colonialism, it should not be forgotten, was conquest – economic, social, political, religious and cultural conquest – that was attended by the destruction of whole societies, the enslavement, dislocation and/or disenfranchisement of millions, the theft of land and the pirating of resources. Conquest that was accomplished with the whip and the gun and the bible and that meant state violence, institutionalized racism, "plantation economics" and the decimation of lives and liberty.

¹⁸ Lavoie and Chamlee-Wright (2000) have criticized this conception of culture, referring to it, as Peter Berger does, as the "ancient curse" approach to cultural studies. Lavoie and Chamlee-Wright (ibid.): "What the Ancient Curse approach to culture obscures is the very essence of culture: the fact that it is not a static thing but an ongoing process. Culture is not the dead hand of the past constraining our actions to traditions as contrasted with our Reason. It is the very site of our reasoning activities, shaping what we find persuasive, and being shaped by our participation in dialogue. It is not a single, unified thing but a complex of conflicting tensions and proclivities. It is the locus of, and the framework that gives meaning to, our efforts to change ourselves and our societies." Like Lavoie and Chamlee-Wright we are not at all comfortable with the view of culture exposed by North. But, it is not necessary for our purposes here to believe North's tale in its entirety nor to support his formulation. It is merely sufficient to concede the more benign point he is attempting to make, that is, that the past (sometimes perversely but often profoundly) affects the present.

Under British occupation, with some inter-island and intertemporal differences, West Indian societies evolved plantation hinterlands (with their concomitant social and political structures), bureaucracies better suited for social control, the expropriation of wealth, the preservation of class divisions and the protection of elites than they are for civil service and cultural characteristics no longer appropriate given the challenges and opportunities facing West Indian populations.¹⁹ Indeed, because of their colonial experience, development in the West Indies has been like driving a car with the emergency break engaged: sluggish. It is our contention that if we explore some of the region's cultural texts (that is, novels, poems, songs and newspaper articles intended for popular consumption and writings by West Indians intended for policy and academic audiences), we will find traces of and be able to isolate those "offending" characteristics (those attitudes that hinder development). And, by so doing, we will have provided a partial explanation of why these nations, so rich in resources and potential, are so poor.

The Poverty of West Indian Entrepreneurs

Do you know why people like me are shy about being capitalists? Well, it's because we, for as long as we have known you, we were capital, like bales of cotton and sacks of sugar, and you were the commanding, cruel capitalists, and the memory of this is so strong, the experience so recent, that we can't quite bring ourselves to embrace this idea that you think so much of.

[Kincaid 1988, 36]

Entrepreneurs are cultural creatures. As such, it matters what their culture's models of economic success are, how they are portrayed by their society's culture industry and how they fare in their culture's fables and myths. That is, it matters whether they are celebrated or profaned, whether they are conceived of as heroes or leaches, whether entrepreneurial efforts are thought of as futile or gainful. In the United States, for example, the myth and lure of realizing the *American Dream* (the notion that hard work equals economic prosperity) has, arguably, been as important to that nation's development as its natural endowments.

Unfortunately, for many in the West Indies, there is no analogous fantasy. Instead, the models of economic success that pervade that region's cultural texts all reference corruption or racial privilege not hard work. The

¹⁹ For the purposes of our study of West Indian economic development, the saliency of informal institutions that emerged during its colonial period, therefore, can not be discounted. As North (1995, 21) asserts, "if the institutional framework made the highest pay-offs for organizations' piracy, then organizations success and survival dictated that learning would take the form of being better pirates. If on the other hand productivity raising activities had the highest pay-off, then the economy would grow." Colonialism was, arguably, a system that rewarded piracy.

successful entrepreneurs, if we are to believe West Indian novelists, songwriters and reporters are either corrupt politicians, the politically connected, expatriates or foreigners. During colonialism, they inform, the only people who attained wealth (were able to attain wealth) were the native Brits living in the region. After colonialism, those expatriates retained their dominant positions in the region's economic life, joined now by the political elite that inherited the state apparatus when the British relinquished control. According to these texts, the bulk of the citizenry, absent participation in an unpleasant system of bribes, kickbacks and corruption, has no hope of attaining any real success.

Consider Jamaica Kincaid's social commentary *A Small Place*. Though set in Antigua, her native isle, Kincaid's narrative could be set just about anywhere in the Caribbean without losing its incisiveness. Her explanation of why Antiguaners are often seen driving expensive cars even when they do not live in equally luxurious homes has resonance throughout the region. As Kincaid (1988, 7) clarifies, "banks are encouraged by the government to make loans available for cars, but loans for houses not so easily available; and if you ask why, you will be told that the two main car dealerships in Antigua are owned in part or outright by ministers in government."

Using and misusing one's office in this way has become almost commonplace in the region. And, unfortunately Bahamian social critic Glington-Meicholas' (1998, 69) comment that, "the surest way to prominence and wealth in The Bahamas is through active participation in politics," can easily be extended to the entire region. As Glington-Meicholas (ibid.) derisively continues, "no matter how much your distaste for hard work and your penchant for excessive spending have kept you impecunious, 'astute' dealings in politics can bring you dependable liquidity." That former Bahamian Prime Minister Sir Lynden Pindling spent more in several years of his premiership than he had earned through legitimate dealings is not a novel West Indian tale. In fact, similar charges have been leveled against Trinidadian officials in the 1970's and 1980's and parliamentarians in Kincaid's Antigua, in Barbados and in Saint Kitts.

It is not only politicians and bureaucrats, however, but their wives, their girlfriends and their friends who profit from their public service. Kincaid's (1988, 12) story of *Evita* is telling in this regard:

In this mansion lives a woman sophisticated people in Antigua call *Evita*. She is a notorious woman. She's young and beautiful and the girlfriend of somebody very high up in the government. *Evita* is notorious because her relationship with this high government official has made her the owner of boutiques and property and given her a say in cabinet meetings, and all sorts of other privileges such a relationship would bring a young beautiful woman.

Not surprisingly, references to this *culture of corruption* also appear in the region's fiction. In Jamaican novelist Vanessa Spence's (1993) *The Roads Are Down*, for instance, we meet Bob, a successful foreign investor, and his friend Carla, a high level bureaucrat in the planning department and the sister of one of the three largest developers on the island. Throughout Spence's yarn, Carla is perplexed at Bob's (the foreign investor's) naivete regarding her brother's success. That he built her a house as a reward for her assistance, that she used her position to assist him in his business ventures were not secrets and suggests that Kincaid's Evita is not only a resident of Antigua.

Unfortunately in the region's texts, it is only politicians, their families and their friends, with a few exceptions, who attain Evita's economic and political stature or become as successful as Carla's brother.

It is worth restating that this *culture of corruption* has had a deleterious effect on entrepreneurship in the region.²⁰ Entrepreneurs and/or potential entrepreneurs who feel that their opportunities will be restricted unless they submerge themselves in this insidious system of political favors and favoritism no longer become the engine for economic transformation that they otherwise would. In the language of North, this informal institution (the belief that success comes only through corruption) has the effect of limiting the opportunity set that entrepreneurs consider. And, may lead, arguably must lead, to opportunities not being exploited. Corruption not only impedes development by adding to the cost of transacting but its persistence over time stops people from even trying.

In addition to this *culture of corruption*, a similarly damaging *culture of racial privilege* has plagued the region since Columbus' arrival. With every country in the Caribbean boasting overwhelmingly non-white populations, this is particularly problematic in the region. In the United States, for instance, an institution that excluded non-whites from sharing in the fruits of the economic system would only exclude twenty percent of the

²⁰ The extent of corruption in Jamaica is particularly worrisome. And, the debate on the editorial pages of the leading Jamaican newspaper that the government triggered when it introduced and passed into law a corruption bill in November 1999 is revealing of just how bad Jamaicans think corruption is on their island. The Jamaica Gleaner's Morris Cargill (2000): "but I have been finding it increasingly difficult to take Jamaica seriously, for corruption is so widespread that the whole thing has become a sort of sick joke." And, "This corruption contaminates all classes, and all ages, from the lowest sections of our society to what is often laughingly called the upper-classes." The Gleaner's Espeut (2000) offers a similar characterization: "Jobs for the boys. Contracts for the boys. Bail-outs for the boys. Waivers for the boys. Concessions for the boys. High-paying jobs for the boys. Politics [in Jamaica] is about who gets what when and how." Unfortunately, the corruption bill notwithstanding, there is little that would lead us to believe that the situation is getting any better. In fact, three out of four Jamaicans, according to a recent poll, believe that corruption in Jamaica is getting worse; "over 77 per cent of the persons interviewed were convinced that the level of public corruption is much greater now than say 10 years ago" (Gleaner 11/7/99).

population from business dealings.²¹ In the West Indies, however, a similar institution would hamper the economic dealings of over nine out of every ten citizens. Not surprisingly, this *culture of privilege* has inspired anger, concern, complaints and despair amongst Caribbean cultural producers.

Belizean Zee Edgell (1982, 51), for instance, is forced to complain in her award winning novel, *Beka Lamb*, that “black models in the commercial sphere [are] hard to find.” As entrepreneurial perceptions are “colored” by the models of success that they encounter, the absence of black successes in a predominantly black (and racially aware) context leaves the majority of the population without an ideal to aspire to. Edgell goes on to explore the effect this lack of role models has had on the psyche of Belizeans: they have learnt that competing with whites in any sphere is futile because the decks are (and will always be) stacked against them. Edgell’s Miss Ivy’s counsel to her grand daughter Beka, who is trying to win an essay competition, is telling. Miss Ivy: “You are wasting precious time trying to win that fool-fool contest. What I am telling you is important, but you are becoming Miss Bigget, and Miss High Mind, and I am weary telling you over and over again a pania [Spanish-speaking Belizean], bakra [local white person] or expatriate [British-born Belizean] will win! Who ever heard about any black girl winning so much as a pencil” (Edgell *ibid.*, 151). Encouragingly, Beka ignores her grandmother and goes on to win the essay contest. But, how many fall prey to Miss Ivy’s defeatism? As we learnt from our consideration of Mises’ theory of ideology, beliefs that inspire inaction (like Miss Ivy’s defeatism) may never be falsified. Had she heeded the advice of her grandmother, Beka might never have discovered that it was possible for her, a black female in a xenophobic Belizean context, to succeed. Unfortunately, Beka’s defiance is not the rule but the exception.

Indeed, the belief that whites have an unfair advantage in (business) dealings and that any blacks who succeed are lucky or dishonest (and not industrious) is a theme that recurs in West Indian novels and short stories.²² As Bajan Paule Marshall’s (1996, 181) Mr. Whatford complains in the short story “Barbados”: “Luck! People, especially this bunch around here, is always looking to luck when the only answer is a little brains and plenty hard work.” Still, if we are to believe Glington-Meicholas’ (1994) *How to be a true-true Bahamian*, economic success is

²¹ 2000 Population Estimates Program, Population Division, U.S. Census Bureau.

²² Glington-Meicholas (1998, 40) confesses, “the fastest way to upward mobility in The Bahamas is to take up an occupation that allows you to overcharge or bilk your clients without fear of the law common criminals are forced to have.” Espeut (2000), commenting on the situation in Jamaica, argues: “scarce benefits and spoils are now distributed according to politics and graft. We have swapped the oppressive system of racism as a basis for

all but guaranteed if we have had the good fortune of being born any race other than black. For her, owning a successful business downtown is synonymous with being a conchy-joe, a white Bahamian (ibid., 113). Similarly, all Asians in her estimation “own a supermarket ‘over the hill’; own a restaurant; own a laundry; [or] own a custom tailoring establishment” (ibid., 116) and all Greeks “own a restaurant” or “own a store on Bay Street [downtown] selling clothing or shoes” (ibid., 118). Most Blacks, on the other hand, are members of unions (ibid., 112). Although Ginton-Meicholas’ stereotyping is both uncomfortable and, like many stereotypes, exaggerated²³ there are nuggets of truth embedded within them and they are, if the popularity of her work is any indication of the acceptance of her ideas, widely held beliefs within the Bahamas.

Disturbingly, what for Ginton-Meicholas is perhaps mild xenophobia, a mere textual representation of the sort of racial and cultural myths that are found in every culture, is of an entirely different character when found in the lyrics of the current crop of West Indian songwriters. There the racism is up front, angry and pointed. In an overwhelmingly popular tune, *Fire Pon Rome*, Keith Blair (a.k.a. Anthony B) goes after white businessmen by name. Blair (1997): “this is my question to Issa and the one Matalon, how [you] get fi own so much black people land?” John Issa and Joseph Matalon are both prominent white Jamaican businessmen. Joseph Matalon is the director of investments for the \$100 million dollar investment group, Mechala Group Jamaica. He is also a former chairman of Jamaica Developers Association and is the current chairman of Jamaica Promotions Agency (JAMPRO). John Issa is the Chief Executive Officer of SuperClubs, a major hotel chain in Jamaica. The answer to Blair’s question is, for him at least, a clear one: they stole it.

Indeed, in *Fire Pon Rome*, Blair burns (castigates) politicians, bureaucrats and whites alike for what to him are their frequent praetorian practices. Blair (ibid.): “So many things politicians have stolen.” And, “[me] a burn fire fi di one Butch Stewart. Who buy out the plane and all di pilot.” Gordon ‘Butch’ Stewart is the hotel and cruise ship mogul and chairman of Sandals Resorts who recently acquired Air Jamaica, the nation’s flag carrier. What is important about Blair’s lyrics for the purposes of this analysis is not so much the truth or falsehood of any particular claim he makes but the degree to which his lyrics articulate and amplify views that are widely held in Jamaican

distributing benefits, for an equally or even more oppressive system of political favouritism as the basis for economic advancement. Conflicts of interest are rife. Jamaica still lacks justice.”

²³ Admittedly, her empirical claims simply cannot be supported.

communities. That his song became widely popular amongst Jamaican and, indeed, West Indian youth suggests that his attacks had some resonance. Unfortunately, in spite of his anger and recriminations, Blair's lyrics and this Jamaican view, to the extent that his lyrics reflect Jamaican views, though defiant are at the same time nihilistic. The "thieving whites" are simply there, an indelible part of the landscape, to be condemned even hated but never challenged (by legitimate black entrepreneurial competitors) or replaced (except by corrupt black politicians).

Miguel Collins (a.k.a. Sizzla), in *Long Journey*, offers a mythical restatement of Blair's condemnations and, not surprisingly, replicates his nihilism as well. Santa Claus, in Collins' whimsical narrative, and his reindeer (here a metaphor for foreign investors) come into the region to "rob di bank [i.e. the people] and take the money to the president." But all the youth, that is the black youth, (can) do is complain. They do not, at least in Collins' narrative, save money, invest in human capital, exploit entrepreneurial opportunities or start businesses.

Unfortunately for the region, Collins, Blair and the region's other textual authors have learnt their colonial lessons too well. Even their castigation, as stated earlier, reinforces rather than subverts them. As we examine their exploration of their community's economic character, we find few representations of black successes, in the absence of corrupt or morally questionable practices. Their texts are particularly short on the sort of myths that we find in other cultures and the sort of tales of economic success that link wealth and industriousness. Remember we learnt from North that institutions constrain human behavior by defining the opportunity set actors consider and defining their incentive structure. Although institutions play an essential role in human action, allowing us to act in the face of unknown and unknowable futures, they may also encourage *piratical* practices and cause us to not be alert to viable (exploitable) profit opportunities. The belief that black entrepreneurial success is doubtful, a belief that emerged out of the Caribbean's *cultures of corruption and privilege*²⁴ and that has roots in the region's colonial

²⁴ Note again that I am not making the argument here that corruption distorts market outcomes or that West Indian politicians are particularly corrupt. Although, I believe that a compelling case could be made for at least the former of these two theses, developing this point is beyond the scope of this paper. For the time being, see Mises (1963: 734-736) for a brief and general treatment of the subject. See also Ikeda (1997). Instead, what I am arguing here is something more subtle: that a *culture of corruption*, if it develops, has the effect of runaway inflation or exceedingly high taxes on entrepreneurship; that it switches off (or rather it redirects) Kirznerian alertness. Also, note that I am not suggesting that West Indians have deficient or inadequate entrepreneurial instincts. To be sure, a definite *spirit of enterprise* seems to flourish in West Indian communities outside the region. As Thomas Sowell (1981) suggests, West Indian blacks are relatively more successful than other blacks in the US. But, instead what I am contending is that in many cases West Indians do not believe (in spite of the actual institutional environment that prevails) that those instincts can gainfully be put to use in their home countries. Rather than our analysis being called into question

experience, both discourages entrepreneurial activity and obscures entrepreneurial alertness. Similarly deleterious, from the point of view of entrepreneurial discovery, is another belief that developed during the region's colonial past: the belief that the state can and should play entrepreneur; that the state has a key role in planning and/or steering the economy.

The State as Manager, Provider and Entrepreneur

in our region, the notion that the state will have to take the lead in economic transformation, if only by default, is correct.

the state must take the lead, but the state can be expected to be imperfect. This is where we have reached. [. . .] In addition to the three historic roles (macro-economic management, political management and the provision of socioeconomic infrastructure), the Caribbean state, in today's world, has to play a role in guiding the economy.

Farell (1993, 207)

The islands of the Caribbean, it has been argued, are simply too small (Demas 1960; Levitt and Best 1975; Griffith 1987, 1990; Farell 1993; St. Cyr 1993; Thomas 1993). Their resource bases are narrow and are not large enough to satisfy their local demands for goods and services. And, so their economies, it is conceded (often with a great degree of sadness), are necessarily open and are, thus, intrinsically *vulnerable*. The state is, therefore, believed to have an incontrovertible socioeconomic role: it must diversify the economy (by subsidizing investment in "key" sectors), it must attract foreign capital (by offering them tax and regulatory relief) and it must both "train" and "protect" its citizens.

This logic, of openness meaning vulnerability and vulnerability mandating state action, is often voiced in the Caribbean and a definite *culture of intervention* can be said to exist.²⁵ Consequently, it is critical for our study here that we answer (or attempt to answer) the following questions: What explains this logic, this sense of vulnerability and this degree of externalness? Does it have roots, for instance, in the region's colonial (and slave) past, is it perpetuated by the systems of government inherited from the British (most Caribbean nations still have

by the successes of West Indians outside their home countries, it might instead be read as an explanation of emigration even in the face of local economic reforms.

²⁵ Jamaica's ruling political party, the PNP (2000), for instance, defines its mission in the following way: "the PNP has been assigned the twin tasks of economic modernisation and the social renewal in a completely new global economic context. The PNP's ability to steer a path for the Jamaican people in this new global economy, will determine the fate of the country for a long time to come." What precisely they mean by "the task of economic

parliamentary democracies and large state bureaucracies), or is it merely an accident of history (an outgrowth of the various struggles for independence in the region)? To what degree does this logic (openness → vulnerability → state action) still “motivate” West Indian politicians, bureaucrats and citizens? And, what is the effect of an interventionist state on entrepreneurial creativity and alertness and, thus, on economic development?

During the early stages of colonialism (through the eighteenth century), the economies in the West Indies evolved into *plantation hinterlands*. Absentee ownership was the norm and “the dominant unit of production [was] a subsidiary or affiliate of a metropolitan firm” (Levitt and Best 1975, 410). Decisions regarding which crops to grow and in which proportions were frequently made by colonial administrators and firm owners based in Britain rather than by domestic entrepreneurs. Additionally, the bulk of the population did not have the right to choose their employer or negotiate the terms of their employment.²⁶ Though the nineteenth century was a period of tremendous social and political transformation in the West Indies – the slaves were emancipated and the expatriates were granted more and more political autonomy – the economies remained mono-sector; each colony specializing in the production of one (and usually only one) export crop.

As a result, the colonies faced tremendous economic hardship when either the terms of trade worsened or when, because of weather or other seasonal factors, their staple was less bountiful than it had been in the past. Often the response to this hardship was a call for intervention rather than innovation. The experience of Jamaica and Trinidad’s sugar industry in 1840’s and 1850’s is telling in this regard. Around the same time the British parliament emancipated the slaves, it “liberated” the sugar trade. No longer privileging sugar imports from its colonies, it began taxing West Indian sugar at the same rate that it taxed foreign sugars. Jamaica simply found itself unable to compete. The other cane sugar producers in the region, under French, Spanish or Dutch rule, still held slaves and so could produce cane much more cheaply (Rogozinski 1992:177, 187; Williams 1970: 383) and the beet sugar industry in Europe was heavily subsidized (“bounty-fed”). Not surprisingly, the Jamaican sugar industry quickly collapsed²⁷ and, because it was the “only” export crop, the collapse meant “hard times” on Jamaica. Rogozinski (ibid.:189):

Sugar’s decline brought hard times to Jamaica’s black population. As the estates failed, the free

modernisation” and by “steer a path” is unclear but that government in their opinion has a definite and definitive role to play in economic affairs is quite obvious.

²⁶ By the middle of the eighteenth century, enslaved Africans easily outnumbered the white settler populations in every colony in the West Indies.

²⁷ In the 1850’s production fell to one third of its pre-emancipation levels (Rogozinski 1992: 188).

peasantry could no longer earn wages or find a market for its food crops. Without income, Jamaicans could not buy imported goods, and revenues from import and property taxes also fell. Neither individuals or the colonial government had the money to pay missionaries, teachers, or medical doctors. Schools and churches closed, and entire districts had no qualified physicians . . . hunger, disease and theft became common.

By the end of the nineteenth century, the “fight for sugar’s survival” became a political rather than economic or technological battle. Representatives from Jamaica and its West Indian neighbors petitioned the West India Royal Commission for a restoration of the favored status they had once enjoyed (Williams 1970, 385). Though their petitions failed, that they were made at all, illustrates a tendency amongst producers in the region to seek protections or subsidies rather than to try new processes or products when faced with competition. As such, Trinidad’s plantation owners managed to “compete” for a time with their slave holding and “bounty-fed” competitors not by innovating but by securing subsidies from the local legislature and the British government for the indenture system.²⁸

By the time the colonies became independent,²⁹ the state had a long established tradition of taking an active role in the economy. Often, the nationalist political parties that replaced the propertied elite, who had governed previously, extended rather than curtailed this tradition. In most West Indian societies, the nationalist political parties grew out of the labor movement. And, many (if not all) of the early leaders were trade union officials.³⁰ As such, they were inclined (perhaps even more than the propertied elite they replaced) to subsidize unprofitable industries and to “bail out” failing enterprises. Consistent with this (pre)disposition, after independence the Bahamian government not only retained its control over the nation’s only telephone, water and power companies but would periodically acquire failing farms and hotels to prevent them from laying off workers. The Bahamas Hotel Corporation, established in the early 1970’s, purchased three ailing New Providence hotels in 1974 and, in an attempt to expand the tourist industry, built “a mammoth new casino-hotel on Cable Beach” (Craton 1962, 296). Similarly, in a vain attempt to make the Bahamas self-sufficient in food, the Bahamian Agricultural Corporation, established in 1975, immediately purchased the abandoned Bahamian holdings of the Owens-Illinois labor company

²⁸ The indenture system brought laborers from India to Trinidad on three year contracts to work the plantations. On paper this system seemed to benefit all parties involved but in practice Indian laborers suffered tremendous abuses (from inadequate housing to the denial of health care).

²⁹ Jamaica in 1962, Trinidad and Tobago in 1962, Barbados in 1966, The Bahamas in 1973, Grenada in 1974, St. Lucia in 1977, St. Vincent in 1979, Antigua and Barbuda in 1981 and St. Kitts and Nevis in 1983.

and the failing Hatchet Bay Farms and established the ill-fated BARTAD scheme in North Andros (*ibid.*, 298). That many of these enterprises failed anyway and that many of the government's attempts to establish their new businesses also failed to turn a profit did little to discourage the Bahamas government's "playing" entrepreneur.

Similarly, the government of Jamaica under both the socialist Peoples National party (PNP) and the supposedly "capitalist-friendly" Jamaican Labour party (JLP) increased government ownership of industries and interference into the economy. Rogozinski (1992, 273):

Although many private companies survived, Manley's [PNP] government took control of large segments of the economy between 1974 and 1978. It set up agricultural cooperatives, and it nationalized (with artificially low compensation) the island's electricity, telephone, and transportation companies as well as many sugar factories and a major bank.

And (*ibid.*, 274; *italics added*):

Contrary to his plans . . . Seaga [leader of the JLP] actually *had to increase government ownership* in important industries, including oil refining and bauxite mining. Because of the earlier tax increases and nationalization [under Manley], bauxite production fell drastically during the early '80s. Several foreign companies ceased operations on the island, *forcing the government to buy their mines* to maintain exports.

In the 1970's and 1980's, the government of Jamaica like many of the other governments in the region simply refused to let the market determine the fate of its staple crops. And, clearly saw developing new industries and controlling existing ones as its role.³¹

The close relationship between political parties and trade unions alluded to earlier has also meant that the government of the day will more often than not side with workers over management when there is a trade dispute. Griffith (1987) has blamed the high wage rates that prevail in the Caribbean on this conflation of political parties and trade unions. Griffith (*ibid.*, 77): "given the strong labour movement and the relative inefficiency of labour, [Caribbean] governments have had great difficulty keeping the region's wages competitive with other developing areas, particularly Southeast Asia. A result has been the foreign manufacturing firms producing for the export market have been leaving the region."

³⁰ Antiguan Prime Minister Vere Bird, for instance, was president of both the Antigua Trade and Labor Union and the Antigua Labor Party.

³¹ Rogozinski (1992, 277) describes the behavior of the Williams's government in Trinidad. "The Williams government used taxes on oil exports to take control of the economy. It purchased foreign corporations, built ambitious public works, subsidized consumer goods, and created new manufacturing companies." And (*ibid.*), "the government began to buy up key industries before 1973 in response to criticism of foreign ownership by union and black power leaders."

Another factor contributing to the *culture of intervention* found in the West Indies was the worrisome socioeconomic disparities that the nationalist and post-independent political parties found when they were elected to office. When the Bahamas' Progressive Liberal Party (PLP) came to power in 1967, for example, most of the black population was living below the poverty line and the bulk of the country's wealth was held by foreign (read white) businessmen and expatriates. Segregation was not outlawed in the colony until the mid-1950's (Cash, et al., 1991, 294) and universal adult male suffrage was not introduced until 1959 (ibid., 297).³² Not surprisingly, the PLP and the other nationalist parties in the region campaigned and were elected on largely "activist" platforms with clear mandates to do whatever it took to improve the economic situations and to extend the welfare systems that they inherited. Increasingly, foreign investment was seen as critical to both efforts.

Attracting foreign capital and enterprises by offering them tax exemptions and regulatory relief not available to domestic entrepreneurs had been the "preferred" development strategy of West Indian governments long before these countries gained independence. The nationalist movements that urged an end to colonial rule did not deviate at all from that development model. In perhaps the most extreme attempt to attract foreign funds, the Bahamas Government in 1955 granted American developer Wallace Grove's Grand Bahama Port authority 50,000 acres of land³³ and "freedom from taxation of income, capital gains, real estate or personal property until 1985 and from all customs and excise duties . . . until 2054" (Craton 1962, 269). Initially, "the Port" could also license businesses and grant work visas to foreign nationals. Although the PLP curtailed some of "the Port's" powers, for instance, reasserting the government's control over immigration, it left the tax exemptions and licensing authority in place.

Although efforts like the Grand Bahama Port Authority agreement are ostensibly liberalizing and have attracted "much needed" capital to the region, interventions of that sort have also had a harmful effect on domestic entrepreneurship.³⁴ To be sure, entrepreneurs need access to capital and credit if they are to succeed. And, as Schumpeter (1983: 70) has taught us, "talent in economic life 'rides to success on its debts.'" But, granting foreign investors advantages not available to domestic entrepreneurs has at least three adverse consequences. First, as Levitt and Best (1975: 416) inform "dependence on imported enterprise builds into the economy an assured backwardness

³² Women did not vote in the Bahamas until 1962.

³³ This grew to 138,000 acres by 1967.

vis-a-vis countries whose entrepreneurial dynamic is indigenous.”³⁵ Second, by giving foreign firms tax and regulatory relief not available to local businesses, local enterprise is discouraged. Local firms are simply not able to compete with their foreign counterparts for workers or resources. Third, if foreign investors know that there are rents to be won by dealing directly with the government, they will tend to seek out government officials rather than local entrepreneurs when searching for investment opportunities. The government, as a result, becomes a necessary player in every investment decision.

Another consequence of the *culture of intervention*, in general, is that it destroys social capital. Ikeda (1997) has argued convincingly that the more intervention occurs the more actors are amenable to and desirous of intervention. Ikeda (1997, 176), summarizing the “gradual-acceptance thesis” writes,

. . . the very act of intervention *unintentionally weakens the moral aversion or psychological resistance* citizens might have to intervention, and by so doing stimulates the demand for additional intervention. The repeated use of coercion and compulsion to address social and economic problems can thus habituate citizens to the idea and practice of interventionism, and thereby increase the expected net benefit to them of employing political means.

Just as a *culture of corruption* encourages actors to be alert to bribes, kickbacks and opportunities to abuse their office or exploit their connections, a willingness on the part of the government to interfere with the economy (and an acceptance of interventionism by the citizenry) diverts an entrepreneur’s attention from profit opportunities toward rents. The relative payoff to political entrepreneurship is simply too high to ignore.

A *culture of intervention* and its attending destruction of social capital also create sentiments not unlike those found amongst America’s urban poor. Summarizing anthropologist Oscar Lewis’ “culture-of-poverty,”

³⁴ Determining whether the interventions were a net good or bad, however, is beyond the scope of this presentation.

³⁵ Although they do not present the historical evidence on which they base their claims, they do offer a theory of the re-enforcing pattern of underdevelopment in the region in the presence of said dependence. Their analysis differs significantly from the nationalistic rhetoric that simply bemoans the presence of foreigners on the domestic landscape and from the nihilism and Marxian distrust of markets that inhabits most dependency theory.

Levitt and Best acknowledge that with profitable foreign enterprises come both jobs and government revenues. Profit, however, “accrues . . . to share-holders of the parent corporations or as retained income to the corporation itself” (ibid., 416). As a result, local enterprise does not have access to these savings and because the bulk of savings out of employment income (i.e. through pensions and insurance) are also not available, there is the appearance of an excessive shortage of risk capital in the *hinterland*. It is unclear what they mean here by the appearance of a shortage. For instance, do they mean to suggest that actual conditions are different? Also, why pension funds and insurance companies do not invest in local enterprise is not addressed. According to Levitt and Best (ibid.), “an economy of subsidiaries and branch plants thus chokes off the development of local entrepreneurs.” The principal problem with dependency on foreign enterprise in their view is, therefore, that it promotes a dependency on foreign enterprise. A secondary problem that they identify, one, which in our view is quite

Wilson³⁶ (1987, 182) writes:

The net result is a series of special adaptations to existential circumstances, including a sense of resignation and passivity because of enduring poverty; a present-time orientation because of the pressures of day-to-day survival; feelings of fatalism and powerlessness . . . low aspirations because of lack of opportunity.

An interventionist state, a state that believes that it should directly compete with private enterprises, that it should politicize its nation's labor markets, that it should privilege foreign firms while disproportionately taxing and regulating domestic enterprises, in short, a state that creates and supports a *culture of intervention* encourages a similar sort of pessimism regarding the efficacy of private action and, as a result, discourages entrepreneurship.

IV. Conclusion

. . . the most important elements in economic development is something that sounds thoroughly subjective: the culture. If there is a spirit of enterprise, a set of stories or images in the culture that celebrate some form of entrepreneurial creativity, then economic prosperity is more likely. If you want to get a sense of whether a community is apt to grow wealthier, we are suggesting you find out what stories they tell, what myths they believe, what heroes they admire, what metaphors they use. Economic development is, at its heart, a cultural process.

[Lavoie and Chamlee-Wright 2000]

As we have argued, many of the stories told in West Indian societies are pessimistic tales about the possibility of economic success and optimistic fables about the potential of government intervention. The region's cultural texts associate prosperity with bribes, kickbacks, political connections or racial privilege. And, the region's history is littered with one government intervention into the economy after another; subsidies, tariff protections, bailouts, government initiation of new enterprises, favoring of foreign enterprises and acquisition of failing ones are exceedingly common. These *cultures of intervention, privilege and corruption* have distorted entrepreneurial creativity and diminished entrepreneurial efforts by reducing the perceived payoffs to entrepreneurship. Consequently, economic development has been impeded. Have we then solved the paradox that inspired our efforts? Have we explained why these island nations, so rich in resources, are so poor?

Not quite, we have only made a first stab at an answer. We are still left with some unanswered questions although our inquiry has suggested many avenues that might yield fruitful results. Throughout our narrative we have

significant, is that this orientation toward foreign enterprise leads hinterland governments to privilege foreign businesses over local ones.

implied that corruption not only hurts development through its (indirect) effect on entrepreneurial perceptions but (more directly) through its impact on the cost of doing business. We have not, however, articulated why we believe that there is this more direct cost nor have we attempted to “calculate” it for the region. Cataloguing the region’s incidence of corruption and attempting to “quantify” its effects on the region’s economies would be a useful addition to this analysis.

Similarly, implicit in our discussion of the *culture of intervention* that we have claimed plagues the region is the view that the logic of intervention is not logic at all. However, we have offered little in the way of support for this potentially controversial view. Examining the effectiveness of interventions in the region and applying the work of Mises on the problems of intervention and Hayek’s work on the knowledge problem facing bureaucrats who would “play” entrepreneur is perhaps another fruitful path of study suggested by this analysis.

Additionally, our read of the region’s text, as we have noted, is far from a complete one. And, though perhaps belied by our presentation here, we believe that culture is both diverse and dynamic. In the language we have embraced above, within a given society there are multiple, sometimes reinforcing but often competing *cultures*. In this project we attempted to highlight those cultural themes that impair entrepreneurial efforts and thus impede economic development. But, we are aware of several competing themes within the Caribbean context. In spite of the bleak picture we have painted above, there is a definite *spirit of enterprise* in the region. Although we believe that this spirit is weakened and restricted by the *cultures* we emphasized, West Indian streets are cluttered with hawkers and hagglers. Chamlee-Wright (1997), focusing on market women in Zimbabwe and Ghana, has demonstrated that even these “small-time” entrepreneurs can be an engine for economic change. Asking a similar question of the “small-time” entrepreneurs in Jamaica, Barbados, Trinidad and the Bahamas, therefore, seems a useful effort.

³⁶ Wilson, it should be noted, ultimately rejects Lewis’ formulation, believing instead that both cultural and (formal) institutional explanations are needed to explain the persistence of poverty.

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