

THE SHORTAGE OF ENTREPRENEURSHIP
STATEMENT BY
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TO THE BOARD OF GOVERNORS
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The Annual Report which is before you indicates both some of the achievements of the Bank to date, and also some of the problems which still lie ahead.

Our achievements include that the Bank has sprung into action faster than is usual among such institutions, having already committed US\$25 million over 56 projects by the end of last year. This was due largely to our having recruited an eager and expert staff, with the help of the UNDP and the World Bank. The UNDP seems likely to extend its assistance beyond the original date of 1975, into 1977, so we should have no serious staffing problem ahead of us. Money, also should not be a problem. Our soft funds are being replenished with new loans at a much higher level than that with which we started, and if the Board of Governors at this meeting approves the proposals now before it, we should be able to raise all the hard money we can use, at relatively low market rates. We had at first great difficulty in getting the governments to formulate their projects in infrastructure, but as a result of a series of technical missions which we made in 1972, the Bank now knows exactly what it can do in this area over the next three years, in our less developed member countries, and will soon be agreeing with each of them a detailed development programme up to the end of 1975.

This is impressive in its way, but to have got the staff, and the money, and the list of projects in infrastructure merely sets the stage. The real job of the Bank, as we have always recognised, is to contribute to the enlargement of the productive Sector of the economy, especially its agriculture, tourism, and manufacturing industry, and this, alas is where the problems still lie ahead of us in plenty. As our Annual Report indicates, we have done better in agriculture than we had expected, in the sense that medium sized estates are beginning to line up for our loans for livestock or to plant orchards of citrus, coconuts, mangoes or avocados, or for small sections of vegetables and flowers. We are also, but more slowly, coming to grips with the new kind of land settlement, in which the farmer receives enough land (not less than 20 acres) and enough assistance, financial and technological, to ensure an intelligent and educated person a reasonable income from the soil.

This time next year the Bank may be able to report that it has overcome its problems in agriculture. But we do not yet see our way clearly either in relation to hotels, or in relation to manufacturing industry. The missing factor in both these cases is business entrepreneurship in which our region is notoriously weak. This is not a factor which the Bank can of itself supply. Moreover, no community can suddenly be endowed with

adequate native entrepreneurial capacity. The growth of this element is a long-term phenomenon, requiring cultural changes of a kind that are slow and not always obvious. I should therefore like to reflect, for the few minutes allowed to me this morning, on what it takes for a community to grow an adequate cadre of persons endowed with the qualities for successful business enterprise.

We must first avoid an unnecessary ideological struggle. Every community requires to have a cadre of persons endowed with the qualities for successful business enterprise, whether it be capitalist, cooperative, socialist or communist. A speaker on social issues is normally expected to declare his credentials by first tying around his neck, or having tied upon him, one or other of these labels. or some combination thereof, but nothing that I propose to say is predicated upon the choice of one or other of these systems of organisation. Whatever the system may be, it must have organisers, and our experience indicates that the qualities required of this cadre are much the same in business enterprises in any kind of economic system.

We must also sidestep our cultural nationalists, for whom our own thing is always better than other people's things. This may be so. Some cultures produce a lot of people with business enterprise, and others produce rather few. It is not my purpose to argue that one sort is better than the other. I fully recognise the case for cultures in which business enterprise does not flourish. They have low rates of heart disease, cancer, unemployment, organised crime, or mugging in the streets, and their peoples enjoy the simple pleasures of life. They have also, of course, high infant mortality rates, impure water supplies, high rates of illiteracy and all the rest; but even when these are taken into account, some philosophers would count them more happy than more developed countries. I do not wish to get into this argument; my point is not that one culture is better than another, but simply that they differ. Some are hospitable to business enterprise While others are not. My purpose is not to evaluate the consequences of these differences, but rather to analyse their causes.

We are involved in talking about culture because the experts in these matters insist that differences in the extent of entrepreneurial capacity are a cultural and not a genetic phenomenon. Since we have no certain means of distinguishing between genetic and environmental influences on personality, statements of this kind must always leave a margin of doubt. Some support is provided for the cultural explanation by differences in the performance of some genetic groups when at home and when abroad. For example, the Chinese have acquired in South East Asia over the past century a reputation for superior business performance; nevertheless in mainland China itself, for the century up to 1950, Chinese business performance was mediocre in extent. Here in the West Indies we tend to think of Indians as superior at saving: yet mother India herself has one of the lowest saving ratios in the world. Unless the Indians and Chinese overseas are genetically different from the Indians and Chinese at home, genes cannot explain their superior business performance overseas. When social scientists are faced with problems of this kind, they usually set genetic difference on one side, partly because the scientific facts are obscure, and partly because the phenomena can usually be explained by social differences without resorting to genetic explanations.

We can take as starting point for our enquiry the proposition that success in business requires a particular kind of personality, which is relatively rare, and that one of the characteristics of this personality is a "need for achievement". Business men are not alone in feeling a need for achievement; they share this with successful people in every other walk of life: with artists, musicians, generals, professors, politicians, cricketers, comedians - people who succeed in their professions are usually driven by this need for achievement. They need this drive to keep them going when all the others have stopped. For example, to succeed you must be willing to work hard, while the rest of your companions are at play. You must be willing to practise over and over again, until you get it right. You must be highly self-critical. You must be humble enough to welcome, analyse and apply the criticism of others, or you will never learn. There is no doubt that achievers have a special type of personality. This drive for achievement is not identical with brain power. Many people with excellent brains achieve nothing, while men with moderate brains can be highly successful if they have the drive to achieve.

David McClelland (D. C. McClelland, *The Achieving Society*. Princeton. 1961) who has studied this phenomenon more than most, claims to be able to measure the extent of need for achievement in different societies, and claims to find marked differences. We can all of us recognise the differences even without the measurement. Some communities have a lot of people with this drive to achieve, while others have relatively few.

It is also claimed that the proportion of persons so endowed results mainly from the cultural environment. The relationship between society and achievement is one of supply and demand. Societies which recognise and reward personal achievement get plenty of it; those which prefer to distribute rewards on other bases tend to be low in personal achievement.

The encouragement of personal achievement is neither widespread geographically, nor of long historical standing. All societies have glorified some types of achievers, especially warriors and singers. But achievement has seldom been the principal basis for reward. Men have been appointed to high positions mainly because of their family or class background, with little concern for natural ability, or capacity for hard work. Race, colour and religion have also been essential ingredients standing much higher in the queue for recognition than personal worth. Indeed throughout history it has been standard practice to appoint to a big job a man known to be a mediocre performer, and then search around for a competent man of the wrong race or class to do his work for him at one-tenth of his salary.

Supply reacts to demand because in societies which do not reward efficiency, mothers do not encourage their sons to be efficient. Personality is formed at an early age, and is much influenced by the images held up before us. If the heroes of our fairy tales are great personal achievers, who win out through self-discipline and hard work, we want to be achievers too. But if the songs that are sung and the tales that are told extol other attributes, such as physical force, cunning, lawlessness, or even piety, religious devotion and charity, the young will choose these models instead. This is why some social

psychologists claim to be able to tell you what the achievement level of a society will be merely by analysing its folk tales; and claim also to be able to alter the character of the society by altering the images which are fed to its young. One of the odder phenomena of our time is the sense of shock and outrage being experienced by the current generation of parents on finding that its children are growing up to be like the people whom they see every day on television. What else could one expect?

The upgrading of excellence in achievement as a basis for reward is new in human history. It dates significantly only from the middle of the eighteenth century, being one of the children of the Enlightenment, along with democracy, the demand for equal opportunity, the rise of industrial capitalism, the proliferation of middle class occupations and all that. Like many other phenomena it feeds upon itself. Societies which upgrade achievements are more efficient than societies which do not, and grow in vigour to the point of displacing, conquering or enslaving their neighbours. That a small army whose officers are appointed by merit will defeat a large army several times its size whose officers are appointed for family or political connections is a proposition which history has proved over and over again. Over the last two centuries the societies where excellence in achievement is the main basis of reward gone ahead in every sense, leaving the rest of the world behind.

Here in the West Indies we live in a half-way house. We have great respect for achievement, and yet we still have plenty of hangovers from the old system of thought. Race, colour, family and political connection still play a major role in appointing to jobs or awarding contracts, to the disgust of many of our skilled and educated people, whom this has driven to emigrate. Also, our convention that a man holding high public office cannot be dismissed for inefficiency if he is a West Indian has played havoc with some of our more important public institutions. Yet ours is essentially an achievement-orientated society, and could hardly be otherwise, since we have no hereditary aristocracy, military cast, native priestly tradition, or other mediaeval trappings to which to give our allegiance. Our folk heroes are all men who have got there by hard work and finely honed self-discipline, whether they be cricketers or doctors of philosophy, great writers, surgeons, lawyers, statesmen or calypso singers. If the social psychologists analyse the songs which our children learn to sing, they will find an excessive concentration on the cunning of Anansi and the *machismo* of our great sexual achievers, but they will find in them little support for reward without personal effort.

Why then are we, along with the rest of the Third World, so deficient in business enterprise? Part of the reason is that achievement in business requires elements of its own over and above those required for achievement in other walks of life. For success in general one should have a desire to achieve, self-confidence, strong self-discipline, ability to learn, self-criticism, willingness to innovate, and preferably also support from a closely-knit family, which stands together behind its individual members. These are required for success in any field of human endeavour. To succeed in business one needs also some further qualities:

1. A willingness to save and invest in the expansion of one's business. Third World

people still have short horizons, a hangover from the days when the expectation of life at birth was 25 years. We console ourselves that we cannot now save because of the demonstration effects of Western advertising, but the truth is that saving has never been a part of Third World cultures, even before Western advertising, which is a very recent influence.

2. A willingness to make decision. The world is divided into medical doctors and social doctors. Medical doctors know that when something looks bad you had better deal with it at once or it will get worse. Social doctors think that when a situation looks bad, it needs a period of benign neglect to cure itself. Businessmen have to be like medical doctors; willing to make umpteen decisions a day. But willingness to make decisions is not a part of Third World cultures. Our leaders grow up to be social doctors, so we often miss the bus.

3. A strong respect for the contracts into which one enters, so that one has the reputation for paying one's debts when due, for delivery on or before the delivery date, and for adhering to the stipulated quantities and qualities. Pre-capitalist society was based not on contract but on personal or status relationships, in which poor performance could not be penalised by termination of status; so some Third World societies are slow to adjust to a world of business in which performance is the only test. 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.

4. A sense of oneself as a servant, which causes one to seek to please. Applied to one's customers this leads to courtesy, reliability, and innovation, which are the basis of continued and expanding patronage. Applied to one's staff it leads to good personnel relations, high morale, and high productivity. This is one of the most difficult requirements for Third World countries. Our ruling elites do not think of themselves as servants and therefore do not make good businessmen. "Servant" is a word without respect, and personal service, whether from the government or from the private sector, is simply non-competitive. One can think "the public be damned," and yet be a great artist, surgeon, engineer or scholar, but one cannot be a good businessman without being acutely sensitive to the wishes of other human beings.

Such deviations from the business-like personality are not peculiarly a West Indian phenomenon. When I was a youngster our masters used to tell us that they were of racial origin, and we, resenting this racial slur, hit back that they were due to the state of slavery in which they had so immorally held us for so long. None of this corresponds to the world as we know it; slavery especially being grossly over-exploited in the New World as a source of socio-psychological explanations. These non-business-like cultural traits, to which we have referred, are found all over the Third World, without respect to race or creed, slavery or caste, whether among the whites of Latin America, or the Africans, or the Southern Europeans, or the Asians on their own home ground. The principal exceptions are associated with migration. The performance of West Indian Negroes is

superior in the United States or West Africa to what it is in our own islands. The performance of Indians is superior in the West Indies to what it is in India and so on all along the line. This is a standard phenomenon in works of history and sociology. Immigrant minorities tend to do better economically than the people amongst whom they live-for a variety of reasons. They cannot rely on advancement through family connections with the native elite, so they know that they must rely on their own effort. They stick together and help each other. Since they cannot distinguish themselves in politics or the church or the army, they concentrate on what is open to them, which is business and the universities and the entertainment field, and their talent being so concentrated, soon distinguishes itself in these limited fields, which are geared to quick recognition of superior performance.

I have said before that the relationship between the society and the desire for achievement is one of demand and supply: if the society rewards achievers, it will have plenty of achievers. It follows that those personality characteristics which stand between the Third World and business success derive mainly from the fact that the Third World does not have a long history of holding business enterprise in high regard. In this it differs from the European-American-Soviet attitude only by a couple of centuries, since, as I have pointed out, the achievement-orientated culture does not date from much earlier than the Enlightenment. Respect for business men, in particular, is a very recent phenomenon. There have always been business men, ever since Cain traded his fruit and vegetables for Abel's meat and milk, and disputed the terms of trade, but until rather recently business men have been low on the totem pole. This was because, until developments in science and technology came to dominate the economic system from about 1800 AD onwards, the business man's activity consisted only of merchandising, i.e. of moving things from one place to another, or from one time to another, activities which rely on shrewdness and cunning rather than on the higher elements of the creative personality. With the scientific revolution, the great business men have been sponsors of new technology. Thanks to them, factories turn out, at ever reducing costs in terms of real effort, commodities which the world had never seen before. Thanks to them, farming is reorganised, so that the farm labour time required to produce food has fallen by 90 per cent. Thanks to them, women's household labours have shrunk, since they can buy all they need in great supermarkets in a few hours a week, and devote the rest of their time to other activities, whether inside or outside the home. Names of men who have played this role are now household words: Ford, Edison, Singer, Woolworth, or Bata, just to take a few recent names well known in our little islands.

This change in the folk-heroes of Western culture was paralleled by a change in the economic philosophy of the period. Economists have been asking since the seventeenth century what is the cause of a nation's wealth. The mercantilists said that it was the possession of gold, and urged the direction of trading policies to acquire more gold. The Physiocrats said that the foundation of wealth was the land. Adam Smith in the mid-18th century thought that it was the opportunities for specialisation opened up by free trade. At the beginning of the nineteenth century the classical position was that labour was the foundation of wealth. Karl Marx, writing in mid-century and after, also gave lip-service to this proposition, but his candidate was really capital, which he thought could now

release mankind from the bondage of poverty. By the end of the nineteenth century the American philosophers, echoed by Marshall in England, and by Schumpeter on the continent, were putting the emphasis on business enterprise, whose willingness to innovate was the engine driving the economy forward. Recently, emanating from the United States we are told that the real solution lies in education.

Most of the Third World is still in the early stages of this progression. Our leading philosophers are Physiocrats; they tell us that the Third World used to be rich in land and minerals, and that our poverty is caused by foreigners who have come and stolen our resources. Our more advanced philosophers have got as far as the beginning of the nineteenth century, trumpeting the claim that labour is the source of all wealth. Actually, here in the West Indies we have so much labour that we do not seem to know what to do with it; and it is obvious to any observer that instead of labour bringing us wealth, it is going to drown us in poverty unless our family planning programmes control its flow, or unless our neighbours open up their doors again to receive our emigrant surplus. Meanwhile, in all our public utterances we continue to extol labour, and to apply the whips to capital, to business men, and to our professional classes, all of whom seem to have let us down in one way or another.

Fortunately this does not exhaust our list of philosophers. It is obvious to most practical people in the Third World that the difference between us and the others is mainly one of timing. They have learnt the secrets of creating high level technology, and of organising things efficiently, and have left us behind. We can if we like, prefer to stay behind, luxuriating in our own thing. In the 1920's the anthropologists were preaching that not only are all men equal, but all cultures are equal too, each having specially evolved to suit its environment. Everybody in the West Indies now agrees that we should have our own culture specially tailored to the West Indian environment. Unfortunately while cultures, like men, are all equal in sonic senses, there are other senses in which they are very much unequal. One of these senses is the capacity to survive, since most of the cultures in which the human race has lived have long since disappeared. It is quite clear that the cultures which favour the business-like personality, whether capitalist or communist, have high survival value, and it is also clear that cultures of low technological efficiency have low survival value. Currently, the world is divided into 134 sovereign states, nearly all members of the United Nations. This is an unusual situation; more normally in human history the known world has been apportioned between a relatively small number of great empires. Unless mankind changes genetically, it seems highly probable that the number of sovereign states a hundred years from now will be much less than 134, and that the weaker cultures will again have succumbed to the stronger.

Whether for this or for other reasons, most Third World countries now grapple with the problem of how to increase their efficiency, and especially their efficiency in business enterprise. There are standard techniques.

One is the establishment of business schools, at every level, from commercial training at 16 to the Ph.D. in business administration. This is obviously desirable. A great deal has been learnt about such topics as personnel management, budgetary control, or market

research, which can be taught in books and schools, and our failure to benefit from what is already known is very obvious in many of our institutions. In this category one should include courses in personality training, and how to relate to other people, including courtesy. When a shop assistant or government clerk asks you in a hostile manner "What do you want", he does this not because he is rude, but because he has not been trained to say with a smile. "Can I help you?"

Another technique is to force the foreigner in our midst to teach our sons and daughters, by refusing to let him hire his own people: the system of issuing work permits. This kind of legislation goes back to Richard III in 1484 and Henry VIII in 1523, both of these being monarchs who took in great numbers of highly skilled refugees from the European continent, but only on condition that their apprentices would be English. It is easy to administer such regulations foolishly and to our own disadvantage, but they are a fundamental part of our education system.

A third technique is to create institutions to bolster the performance of our own businessmen. The Third World started out with special institutions to lend them money, but after most of this money had gone down the drain, we saw that what our businessmen need more than money is technical assistance. So nowadays most public lending institutions place equal emphasis on technical assistance and on lending. A staff of industrial consultants is maintained to help local businessmen, and loans are available only in accordance with their advice. Our Caribbean Development Bank is deeply involved in exercises of this kind.

A fourth technique is to secure the local markets for our own businessmen by prohibiting foreign enterprise in some specified sectors, such as retail distribution, which our own people should be able to handle. This is no better than lending money without supervision. It subjects the consuming public to poor service, without necessarily improving the productive capacity of the business sector. This line of action fits well into programmes for creating a native bourgeoisie, and for throwing out the foreigner; but as a device for increasing business efficiency it has little merit.

In fact none of the current techniques comes to grips with the basic problem. To be a good businessman one needs to know something about business management and to have access to credit, but above all one needs to have the right personality: our deficiencies lie here rather than in the colleges, in the law, or in the banking system. Personality is formed on one's mother's knee. One's image of the kind of person one wishes to be is absorbed from one's culture, as one grows up. We shall not be well endowed with business types until our society learns to appreciate the business-like personality, and absorbs this appreciation into the cultural framework of boyhood, girlhood and adolescence.

Let me end by recapitulating my position, which is that this is a matter of the time taken to diffuse cultural change, rather than a matter of race, climate, past servitude, or other such popular explanations. The current European-American-Soviet economic superiority stems from their having gained a start of 150 years in learning the secrets of creating high

level technology and of organising things efficiently. In the process, their cultures have modified themselves to absorb respect and appreciation for the business-like personality, and to pass this on to each new generation. Diffusion of cultural change from one part of the world to another used to take several centuries, but nowadays, with instantaneous communication, it is only a matter of decades. Our own West Indian cultures have been changing very rapidly in these respects, discarding within a generation many of the images which dominated us for centuries on the superior values of colour, class, masculinity, and other non-achievement attributes. In fact already all our leaders, political, religious and philosophical, are committed by their pronouncements to the open society, with its emphasis on performance. If only we can match our deeds to our words, we can catch up within two generations.