MANPOWER DEVELOPMENT - AN ENLIGHTENED RESPONSE TO EXCHANGE RATE MANAGEMENT

BY

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Exchange Rate Management

A comprehensive treatment of this topic will require more time
than is available at present to this writer who none the less wishes to
present these preliminary notes indicating his own line of thought - a line
which will hopefully be developed later. The more important reasons for
its presentation, however, is to advance considerations which scholars in
the Caribbean Studies Association may wish to pursue.

Professor Sir Arthur Lewis had in his Presidential Address to the
Caribbean Development Bank in 1972 identified lack of competitiveness as a
major constraint to development in the Caribbean region. In considering
devaluation as a means of improving competitiveness, Sir Arthur took the
long view in which training rather than real wage depreciation would
achieve the desired developmental goals. His example of familiarising
children with mechanical toys illustrates Sir Arthur's then concern with
developing industry and his skepticism with exchange rate depreciation as
an adjustment mechanism over the longer term.

Later at the bicentenary of the publication of Adam Smith's, The
Wealth of Nations, Sir Arthur gave some respectable recognition to the
unequal exchange concept in an analysis which is quoted below at same
length to avoid misconceptions.

Sir Arthur begins the analysis by considering the development
options of (a) restructuring the undeveloped economy along the lines of the
developed economy or (b) trade. In respect of the latter, choices were
related to two aspects of the terms of trade - the commodity terms of trade and the factorial terms of trade. The quote which brings out the importance of the factorial terms of trade is as follows:

We have to start from the fact that around say 1900 the yield of wheat in Britain, which was the biggest single source of European migration, was 1600 lb. per acre, as against the tropical yield of 750 lb. of grain and that the Europeans also cultivated more acres per man. In the country to which most of the European migrants went, namely the United States, agricultural output per man was even higher than in Europe, because of greater mechanisation, and industrial productivity was 50 to 100 per cent greater. The temperate settlements could attract and hold European emigrants, in competition with the United States only by offering income levels higher than prevailed in north-west Europe. Since north-west Europe needed first their wool, and then after 1960 their frozen meat, and ultimately after 1990 their wheat, it had to pay for those commodities prices which would yield a higher than European standard of living.

The tropical situation was different. Any prices for tea or rubber which offered a standard of living in excess of the 750 lb. of grain per acre level were an improvement. Farmers would consider developing idle land or time to producing such crops; and, as experience grew, would even, at some higher prices, reduce their own subsistence production of food to specialise in commercial crops. But whether the small farmer reacted in this way or not, there was an unlimited supply of Indians and Chinese willing to travel to the ends of the earth to work on plantations for a shilling a day .... This set the level of tropical prices. In the 1880's, the wage of a plantation labourer was one shilling a day but the wage of a navvy in New South Wales was nine shillings a day. If tea had been a temperate instead of a tropical crop its price would have been five times as it actually was. And if wool had been a tropical instead of a temperate crop it would have been had for perhaps one-fifth of the ruling price.

This is the fundamental sense in which the leaders of the less developed world denounce the current international economic order as unjust, namely that the factorial terms of trade are based on opportunity cost and not on the principle of equal pay for equal work. (Lewis, 1976).

This is Sir Arthur at his revolutionary best, overcome by the inherent injustice at the discrepancy in international pay. The analysis
that can examine further the effects of restrictions
want into separate corridors of labour flows (i.e., from
temperate lands to relatively empty temperate lands and from
crowded tropical lands to less densely populated tropical lands) and into
later post Second World War qualifications of the main migration patterns.
Such analyses ought to throw light on the limitations of marginal analysis
to situations of large structural differences in income. It is in this
context, striking to note that, in today’s world, the OECD countries
(roughly equivalent to the temperate lands in Sir Arthur’s categorisation)
produce and command two-thirds of the world’s income even though containing
only about 16% of the world’s population. The income elasticities
associated with these wide geographical disparities in average incomes are
the main determinants of the relative values of traded commodities and
impose obvious constraints to development options if large international
shifts in average incomes are no longer conceivable or if such shifts
accru to relatively small elites in poor countries.

Development Options. There are, in my view, compelling reasons
why development options ought necessarily not only to compare the options
of restructuring for trade or restructuring for internal development but
also to include an examination of a mixture of the two options. The
prevailing wisdom these days is to consider restructuring almost purely for
the pursuit of trade for the reason that our economies are small and do not
allegedly permit much scope for restructuring for internal demand. While
opportunities for exploiting internal demand are fewer than in the larger
and the more developed economies, the role of internal demand ought not to
be ignored. Although small, income growth can benefit from higher average
internal real incomes thus complementing the external demand forces with a source of internal demand. This latter source can be augmented by further development of regional integration, regarded in this analysis as intra-regional and separate from the extra-regional and therefore more categorically external demands over which we exercise little control.

On the supply side, it would seem appropriate to pursue a dual strategy based on expensive and cheap labour activities except that the higher incomes from activities like tourism are not always skill intensive and exert upward pressure on labour costs of those trade activities which ought to rely on cheap labour. This is, in general, the dilemma that faces the tourist economies where segmentation of the "organised" economy into duality is not possible.

The solutions seem to require greater study of the labour markets and of the relatively high costs in very small economies that result from constant changes in investment as external demand shifts from one commodity to another. It may be possible in some situations to direct demand to "piece work" supply arrangements in the informal economy where an element of dualism still prevails. Within the more organised economy, however, the practical problem of high production costs (both of labour and capital) rule out generally the cheap labour approach. Even if devaluation is pursued, the high income activities will tend to nullify the initial real wage cheapening effects of the devaluation. The only alternative seems to lie in increasing the productivity of labour, land and capital. Since there are little or no capital goods industries in the Caricom countries, such innovativeness that will come under our control will necessarily rely
on the flexibility and innovativeness of labour and the uses to which we put our land. An additional reason for stressing the importance of human resource flexibility is that the major beneficial externality that seems available today in strategic developmental design is in manpower that is well trained and well trained to be flexible. Clearly the overall education system is important in this regard, but it is important to regard the University of the West Indies as being critical in the formulation, design and execution of the various education programmes.

**The role of U.W.I.** Universities have played critical roles in the development of countries in various ways. In the development of the American industrial machinery, a very significant role has been played by Land Grant Colleges. An indication of this role is exemplified by the words of the charter of the Massachusetts Institute of Technology which are emblazoned in bold letters in the main entrance hall:

*Established for the Advance and Development of Science, its Application to Industry, the Arts, Agriculture and Commerce.*

The operative word in the charter is "application" and it is in that respect that the scope for a greater university contribution is examined. Clearly the examination should take the form of identification of the range of possibilities in discussions within the University and between the University and planners and finally between the University, planners and politicians, leading at the end of this dialogue to an evolutionary process of expanding university activities and of changing the relationships between the university and the growing societies.
We ought to begin with Ali Mazrui's typification of colonial universities (African universities in Mazrui's focus) as vehicles of acculturation by the colonising powers, varying in their degree of resemblance to their progenitors in some rough correspondence to the policy of the European country (at the time of the establishment of the university) to assimilate or integrate the dependent territory into the empire. For the French, the control policy was closer to total assimilation, resulting in arrangements of almost complete interchangeability of staff in such university departments as were established in French African territories. The British maintained overall control over syllabuses but did not generalise arrangements for staff interchangeability. The Belgians fell somewhere between the French and the British in general administrative arrangements though they struck out ahead of both French and British in the encouragement that they gave to the teaching of African history, literature, philosophy and psychology. (Mazrui, 1978, pp 285 to 319).

Since the establishment of the University of the West Indies, substantial changes have been made in the situation typified by Mazrui. In the humanities and in the social sciences, research and teaching have been based increasingly on West Indian material and on domestic needs as these have been perceived by the various faculties. In the terms of the MIT charter, considerable progress has been made in the advance of science and in the teaching of medicine, though the argument advanced here is that the application to industry, agriculture and commerce have not been pursued with equivalent intensity.
It is this aspect which has implications for the decade of the 1990's and for the 21st century when the CARICOM countries will have reached a first stage of maturation after political independence. By 1990, Jamaica will have been politically independent for almost 30 years and even the latest territory to have achieved such independence, St. Kitts and Nevis, would have been "unhitched" for seven years. Protected markets to which sugar and bananas are now sent are likely to be reduced while the Caribbean Basin Initiative and Lome may not be allowed to provide equivalent protection.

In an effort to encourage greater competitiveness in production, research activity in the University of the West Indies can be useful. In fact, Theodore Schultz provides an example, in the spirit of this note, of university involvement in the research to improve methods of agricultural production. Harcourt reports that:

Schultz ... spends his study leaves not attached to a university, but in "rural communities (and on) actual farms (Schultz, 1979, as reported by Harcourt, 1986). ... He has linked what he sees as the desirable effect on progress and welfare of cumulative disequilibria with his pioneering work in human capital. (Harcourt, 1986).

If this example can be generalised and widely systematised, the University will provide a lead to farmers and manufacturers.

The process of change should not, however, be conceived in overly simplistic terms. Research initiatives such as those effected by Schultz are more easily achieved in some environments than in others. It will be
necessary therefore to examine the structure of the society and the
dynamics of societal change and ascertain the conditions that will
facilitate research developments such as those alluded to above. In this
regard, it is important to note that the University serves and relates to
several countries with governments reflecting different political
philosophies. This requires some research into underlying uniformities or
divergences in actual or perceived notions of the nature of the state if a
coherent university policy is to emerge.

For societies newly emergent politically on the stage of
independent nations, recent or nearly recent beginnings provide an
excellent opportunity for reflection on the nature of the state which is
being formed in each territory. As Ronald Dore points out, this can have
considerable impact on emphases in education, that is, whether priority
will be given to the "lower" level activity of "certification" as opposed
to the more enlightened development of a spirit of enquiry, or, as Compton
Bourne stresses, the development of a problem solving capability. Dore's
argument is that an education system which encourages "curiosity and
creativeness and productiveness and craftsmanship" is more likely to thrive
where hierarchical systems" deliberately [do not allow] the distributions
of power and prestige and wealth to coincide: [and where] the dustmen [can
be paid] more than professors or civil servants. (Dore, 1976, p.183). The
alternative arrangements in which distributions of power and wealth and
prestige and influence are allowed to coincide tend to develop education
systems in which "acquisitive achievement" rather than the ideal of
"productive self-fulfilment" is emphasized.
These are extremely critical factors on which all researchers and would be reformers in the Caribbean ought to form a view. The important fact is that the states are relatively new and the processes of state formation are rapidly hardening into one or the other of the multi- or single pyramidal status structures characterized above. Associated value systems are important not only for the expansion of freedoms as ends in themselves but as environments in which creativity can flourish. These directions of state formation and of associated convergence or otherwise of hierarchical systems have implications also for determining whether those with higher levels of formal education will accept substantial shifts of income to farmers and businessmen and factory workers with less years of schooling. The implications are important both for reasons of egalitarianism as well as for purposes of economic advance where such advance depends on appropriate financial rewards and social recognition to those working in export agriculture and manufacturing. It must be borne in mind that especially in export agriculture, those who are now expected to assume leading roles (bearing risks) were accorded relatively low status in colonial times.

It is also necessary to include differences in cultural heritage when assessing the possible roles of educational institutions and education systems. One writer, Lawrence Harrison, has argued that "culture is a principal determinant of the course and pace of development" and that "underdevelopment is a state of mind". (Harrison, 1985). Any attempt to relate cultural factors to this kaleidoscope of social complexity should again be aware of considerable heterogeneity (ethnic as well as social hierarchical) within countries as well as substantial similarity across the
countries. Whether differences are sufficiently important to warrant serious attention should at least be included in an overall scope of enquiry. In regard to the the concern for developing a spirit of enquiry, Harrison cites as one important factor the stultifying effect on innovativeness that can result from an obsession with the preservation of traditional values.

Clearly these constitute complexities on which definitive conclusions cannot be drawn. They seem amenable to a better perspective in the context of distributions of status and power systems or in relation to the preparedness to give stress to self-fulfilment in formal education systems. This remains an omission in the Harrison analysis and, as Dore notes, it tends to be glossed over in the literature on "achievement motivation". (Dore's reference in McClelland, 1961, a source of some support to Harrison's analysis. Dore, 1976, p. 178).

The role of the University should not therefore be seen in terms of a listing of conventional functions or of an elaboration of statistical calculations on returns to higher education, however useful such calculations are. Specific analysis of social and political changes in each territory seem warranted to identify the relevant dimensions of the wider social structure and its direction of change.

A major function of the University therefore is that of undertaking the various studies to examine the relationships between the structure and functioning of the societies and the nature of the education outputs. The studies would aim also at examining the extent to which there
are imbalances in the supply and demand of graduates of the various levels of the education system and to appraise the cost efficiency of the programmes. This places a major responsibility on the university system for two reasons. The first is that it requires that the university makes comprehensive analyses of the relationships of the various status groups in the society, an activity that universities in the Third World have been reluctant to undertake either because of the inherent difficulties of such analyses or because of the political sensitivity of what such studies will reveal. As will be suggested later the ability to comment objectively on the nature of the state and to support the appraisals with sound evidence will provide the institutional balance that can restrain tendencies to overwhelming dominance by power and status groups.

This leads to the second reason for considering this aspect of the role of the university important but difficult. For the very reason that such analyses can have political implications, it is necessary that they be "objective and impartial and open-minded".

The discussion on impartiality in social analysis is not likely to be resolved on the ground that those undertaking the analyses are neutral between opposed philosophical and ideological positions. Charles Taylor raises the fundamental problem in these words:

In particular the notion of a value free science of man is seen as an obstacle to a radical critique, while the content of this science is full of unavowed concepts of normalcy supportive of the status quo. (Taylor in Montefiore, 1975).

The practical difficulty that arises in these situations is that the state is a major source of funding of university activity, a factor
which can impart bias against objectivity. The redress of this bias is not achieved by spurious theorising in search for neutrality. Instead it requires open discussion of the different points of view in the hope that juxtaposition of opposed positions will assist in the discernment of truth. Sensitive areas of research helps the university in the Third World to perform the role of a countervailing force in the society. It is a function which requires the utmost delicacy for the reason that its success depends on the level of tolerance to criticism in each society. It will depend too on the channels of communication between discussants and people on the whole.

**Blending social and economic objectives**

Research and development activities proceed in both the university and corporate environments in developed countries. The potential for such collaboration exists in the West Indies but needs to be fostered, very often with the lead being provided by the university. In may instances, the enterprises in the West Indies do not have the financial resources nor the establishments to undertake such on-going research even where research consists merely of adding to the base of knowledge.

University departments that are staffed to work with industry, agriculture and services should be related more specifically to the existing and potential spectrum of production. They should cover the commercial as well as the technical operations in agriculture, forestry, marine sciences and engineering, mining, food processing, civil and
mechanical engineering, financial services and hotel management. The university campus arrangements should, it seems, be primarily subject specific rather than national replications of a narrower range of subjects, if scale in relation to each faculty will improve the efficacy of the university as centres of knowledge.

An additional advantage of a subject specific campus arrangement is that it can facilitate the placement of advanced centres of learning in a wider range of territories, including the Bahamas and the OECS countries. This arrangement can also be used as a basis for incorporating the University of Guyana into the UWI system as an integral specific knowledge base rather than a weak replication of the other campuses.

These arrangements will be consistent with spreading the student population in accord with their pursuit of areas of knowledge rather than with the present association with the campus of national origin. The subject specific approach will lead to greater regional awareness without sacrifice of national affiliations. In the end, regionalism can become more related to student experience than present arrangements.

To make such a system effective, the transport and communication systems between campuses should reflect state of the art technology, the very requirement that joint production systems will require. The investment potential which is considerable, fortuitously exists at the very time that international development finance has now become more aware of the importance of funding human resource development.
The links between these approaches and those of improving competitiveness exist in that university training can improve the productivity of people and university research can lead to cheaper costs of production. Neither approach ought to lead to the depreciation of the real wage as devaluation quite clearly does.

The time horizon associated with these changes will be long but the economic theoretical basis for justifying this approach exists if we are prepared to look over a longer time horizon and to factor human capital as a major aspect of investment. The costs will be minimised to the extent that research aims either at covering covering consultancy fees or is effectively linked with established international bodies like the Consultative Group on International Agricultural Research (CGIAR). An exciting array of options exist for manpower improvement. If this note does not set them down in a neat model, it is in part the result of the need to establish the options for discussion among researchers. The systematisation can follow an acceptance that the proposals represent a feasible set of ideas.

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