

Industrialization by invitation

Economics



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Industrialisation is the process of social and economic change whereby a social group is transferred from a manual labor based structure to a more technologically driven society and where the economy gains much more capital via manufacturing industries. Caribbean economies have been labeled as weak and dependent, and controlled by stronger foreign states and institutions (The Plantation Economy).

Of these publications is the concept of Industrialisation by invitation. Lewis felt that this was a step needed to be taken for the British West Indies to develop. Sir Arthur Lewis policy aided in the development of the B. W. I but the policy itself also hindered development as well as left out major aspects of development. After Lewis studied the system known as Operation Bootstrap (policy of deliberately inviting foreign direct investors) in Puerto Rico, he set out to adopt and implement similar in the British West Indies.

The economies of the British Caribbean were mainly agricultural and there was a need to stimulate industrial growth and trade in manufactured goods, to diversify the economic base, since these economies were mainly monocrop economies. This term not only refers to the dependence on sugar and bananas, it also characterizes the dependence on tourism or the oil industry. Lewis therefore proposed the strategy to invite foreign investment as a way to stimulate growth, not only in industry but also agriculture, and therefore to reduce the dependency on the export sector.

He reasoned that the British West Indies had a great abundance of unskilled labour in agriculture and amongst the unemployed. These countries did not have much capital. Thus multinational corporations (MNCs) with millions of dollars at their disposal were to be invited to the British West Indies where

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they could earn huge profits by employing cheap surplus labour from agriculture. They would also benefit from tax holidays for the first five or ten years of their operations, and other concessions such as subsidies.

In other words incentives would be offered to encourage these corporations to invest . Caribbean governments popularly adopted this policy in the 1960s. Several foreign based companies that are established today in the Caribbean are the result of Sir Lewis' policy. This is most apparent in the tourist industry many foreigners have invested in hotels which employ the majority of people. Example of an essay on industrialization invitation theory Arthur Lewis Industrialization by invitation To what extent can it be argued that Sir Arthur Lewis policy of ' Industrialisation by Invitation' aided in the development of the B. W. I By Jennine Small. According to Nassur Mustapha development is defined as, ' the progressive process of human, cultural, political, economic and social change, which shapes people's lives. The southern countries particularly the Caribbean have been classified as developing countries, which are still somewhat dependent on the metropolis which once colonized them. Sir Arthur Lewis in the immediate post- World War II period advocated industrialization of the British West Indies, he adopted a policy called ' Industrialisation by Invitation. ' He felt that this was a step needed to be taken for the British West Indies to develop. Sir Arthur Lewis policy aided in the development of the B. W. I but the policy itself also hindered development as well as left out major aspects of development.

The Industrial Revolution was one of those historical events which drastically changed societies all over the world. Despite the revolution having its roots in Europe , particularly Britain it then spread to places like the U. S. A and

later the Caribbean. Industrialization became the mechanism used for a society to make the transition from a traditional, labour intensive economy based on agriculture (agrarian) to a more capital- intensive economy based on manufacturing by machines , specialized labour and Industrial factories.

Sir Arthur Lewis recognized the importance of Industrialisation but realized that the British West Indies could not do it on their own, they would need financial aid, in the form of investments which could stimulate Industrialisation. After Lewis studied the system known as Operation Bootstrap (policy of deliberately inviting foreign direct investors) in Puerto Rico, he set out to adopt and implement similar in the British West Indies.

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In other words incentives would be offered to encourage these corporations to invest . Caribbean governments popularly adopted this policy in the 1960s. Several foreign based companies that are established today in the Caribbean are the result of Sir Lewis' policy. This is most apparent in the tourist industry many foreigners have invested in hotels which employ the majority of people. In Antigua for example, 50% of the population is employed in the tourism industry.

In addition to this, infrastructure such as roads and transportation has been developed by governments to complement these businesses. Foreign investors have introduced the latest technologies and influenced the improvement of public services. On the contrary, the policy is very much economically based , its aim is for countries to achieve economic growth. However development also includes other aspects, there is no indication on how foreign investors may positively impact the quality of life , welfare and education.

Therefore this policy cannot be seen as aiding development in the British West Indies as a whole , as the policy was based primarily on the stimulation of economic growth. In addition, most of the money earned by these investors have been repatriated to their home countries thus money is not invested in the economy, this is a grave issue with serious implications for the tourism industry. The policy eventually failed in the British West Indies, mainly because the Caribbean governments invited the MNCs but did not control them.

When the initial period of the tax-free holidays were up they 'closed up shop' and moved on. They were mainly capital-intensive industries, virtually no

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provisions were made for training citizens to organize and run similar plants, such as the assembly of motor vehicles and small appliances. Hence no sustainable development. Neo-marxists who came up with the dependency theory, also initially developed their theory in Latin America. Andre Gunder Frank and Samir Amin were the two theorists associated with this school of thought .

Both argued that the third world countries are classified as the Peripheries and the Western/ Industrialised capitalist countries are the core. The former being largely dependent on the latter. The development of the core countries caused the underdevelopment of the periphery since economic surplus was transferred from the latter to the former for expansion purposes. These sociologists recommended that the peripheries need to break the link between them and the core in order to be self- sufficient and independent.

Therefore the MNCs can be seen as detrimental according to this perspective dependence is an undesired state and situation . It only causes, injustice, unfairness and exploitation. Following from the dependency theory, we can assert that foreign companies therefore would not be aiding development but hindering it for their metropolis benefit. They would encourage the mindset of preference for foreign goods thus maintaining dependence.

It can be seen that the Industrialisation by Invitation policy is indeed a controversial one when considering whether it has aided development in the Caribbean. There is no doubt that MNCs are an important means to economic development. However in order for a country to develop, the country must have control of its own businesses and resources, move away from traditional economic models that make them dependent on foreigners and

also perpetuate the legacy of colonialism in how the Caribbean economy is structured.

Grade Profile Knowledge & Understanding - 7/10 Interpretation & Analysis - 7/10 Synthesis & Evaluation - 7/10 The student demonstrates a very good understanding of the subject matter under examination. Interpreted and evaluated the question well. Student should have named some Companies or a company that emerged as a result of IbyI in their territory and explain the advantages and disadvantages of the policy using the 'live' example as the base.