

## dean's column

### PETER BLAIR HENRY

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# Beyond the ivory tower

→ A pioneering economist showed how the best research can have a global practical impact

**I**n the aftermath of the great recession, business schools have been accused of focusing too much on research and not enough on practical areas of study that would ostensibly create more value for society. The interplay of research and leadership in the life and legacy of Nobel laureate Sir W. Arthur Lewis illustrates the pitfalls of this false dichotomy between theory and practice.

Lewis is widely recognised as the founder of development economics, but what is less appreciated about him is the extent to which his thought leadership enabled one of the biggest stories of value creation in the 21st century – globalisation and the rise of emerging markets.

Born in St Lucia in 1915, Lewis witnessed extensive poverty, which motivated him to use his academic training at the London School of Economics to tackle the problem of how to bring prosperity to poor countries. His intellectual preparation cultivated a world view that produced valuable insights.

In 1952, Lewis made a previously unrecognised connection between the industrial revolution in the UK and the legions of workers in the fields of the developing world. He realised that, much like rural England in the 18th century, the agrarian sectors of developing nations contained vast supplies of labour that could be used more effectively elsewhere.

The phenomenon of excess labour in Africa, Asia, the Caribbean and Latin America meant vast numbers of workers in those parts of the world could

move from farms to factories without causing a decline in agricultural production. With millions of workers moving to assembly lines, industrial production could increase without driving up wages, creating a virtuous circle of rising profits, investment and employment.

Lewis summarised these ideas in his 1954 article, “Economic development with unlimited supplies of labour”, which, along with his book *The Theory of Economic Growth*, would solidify his place in the intellectual pantheon and later win him a Nobel prize.

But Lewis was not just an ivory tower economist. In 1957, he became chief economic adviser to Kwame Nkrumah, prime minister of Ghana. Lewis tried to convince Nkrumah the way to raise living standards was to implement policies that would spur businesses to invest in factories and hire more workers. Nkrumah was more interested in nationalisation and distributing political patronage. Lewis persisted with his

efforts to bring theoretical knowledge into the practice of economic development. Over the next few decades, leaders of developing nations discovered employers in the manufacturing sector would not expand production and employment until

governments provided a more stable, market-friendly environment.

From the rise of China to the resurgence of Brazil, the period of high growth and low inflation from the early 1990s to 2007 resulted in no small part from developing countries’ implementation of policy changes that raised the profitability of investment and increased the demand for low-skilled labour. Although Lewis did not live to see the emerging

markets boom, his intellectual fingerprints are all over the expansion that transformed developing nations into the powerhouses that now produce almost half of the world’s goods and services.

The fruits of Lewis’s work demonstrate that theory and practice are complementary rather than interchangeable. Spending time outside academia provided him with new facts and perspectives. His devotion to research allowed him to transform these experiences into his crucial discovery.

In times of crisis, we must resist the idea that society would be better off if business schools focused less on research. The greatest discoveries can take time to manifest their practical value. We need institutions of higher learning to underwrite long-gestation research and encourage faculty to test theories in the school of hard knocks.

Universities exist to expand the boundaries of knowledge, bringing new information into the classroom. Business schools just happen to be at the material end of the educational spectrum. Producing big ideas – and leaders who use them to create value – is what business education should be all about.

Lewis never taught in a business school, but his dedication to a life of scholarship and public engagement reminds us what is possible when we bind the pursuit of knowledge to the search for pragmatic solutions.

Lewis's intellectual fingerprints are all over the emerging markets boom



### About the columnist

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