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## Applying the Lewis model in industrialised countries: W. Arthur Lewis and the dual economy of

### Manchester in the 1950s

Paul Mosley and Barbara Ingham\*

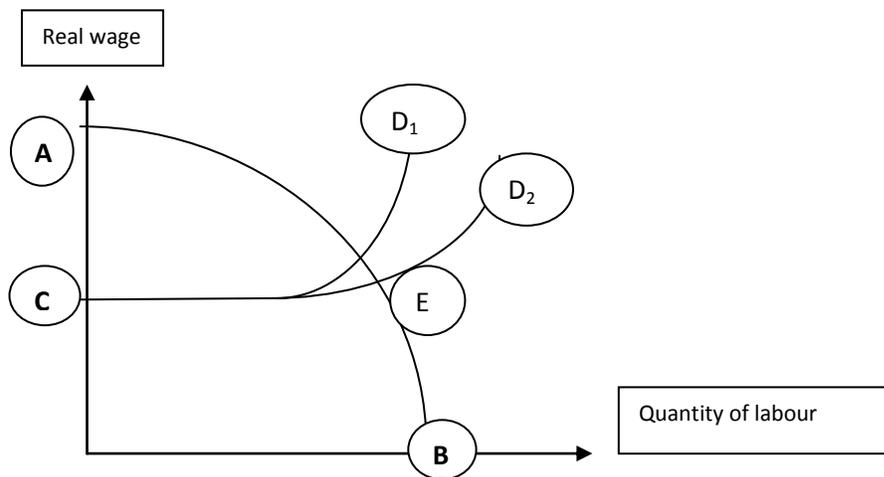
*Abstract.* We document, for the first time, the institution-building activities of the development economist W. Arthur Lewis (1915-1991) as founder of Community House and the South Hulme Evening Centre, two further education centres which sought to fight discrimination among the Afro-Caribbean communities of Manchester in the 1950s. We depict the struggle by Afro-Caribbeans to achieve a decent standard of living (and to escape from the ‘subsistence economy’ which provides the basis for Lewis’ most famous model) as a game of snakes and ladders in which the two main potential ladders out of poverty are – as in many developing countries - first, the ability to generate nonwage income through self-employment and second, ‘vertical social capital’, i.e. membership of social networks of a kind which gave the employee the ability to fight back against discrimination. The most imaginative aspect of Lewis’s design for his further education centres is his incorporation of activities which build vertical social capital alongside conventional vocational training. On the basis of both the qualitative evidence and an exploratory model of the Manchester dual economy, we argue that Lewis’ social centres had a significant positive impact on Afro-Caribbean income and poverty levels, and that they still provide inspiration for development practitioners.

### 1.Introduction

In 1948 the West Indian economist, W. Arthur Lewis, moved from LSE to occupy the Stanley Jevons chair of political economy at Manchester: the first time that a professorial post in Britain had gone to a black Afro-Caribbean. Lewis’ early writings (Lewis 1949a, 1949b) were mainly in industrial economics, but from 1943 onward, whilst on secondment to the Colonial Office, he had been confronted with the problem of how to achieve economic development in low-income countries, most of them still under colonial rule. A central element in his response to this challenge, as exemplified in the two major works which he published while at Manchester, *Economic Development with Unlimited Supplies of Labour* and *The Theory of Economic Growth* (Lewis 1954, 1955), was to conceptualise the economies of developing countries as *dual economies* – economies bifurcated between a high-productivity ‘modern sector’ and a low-productivity ‘subsistence sector’, whose productivity directly determines the wage paid to the modern sector -, and the ideas which found their full flowering in these

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publications have a claim to represent the beginning of development economics. In the first of them, *Unlimited Supplies of Labour* [for which he was to be awarded the Nobel Prize in 1979] the entire development process is represented, as in Figure 1, by a simple supply and demand curve diagram for labour in the modern, capitalist, sector. The demand curve (AB in Figure 1), representing the marginal revenue product of labour, is completely conventional. But the supply curve (CD), instead of being conventionally upward-sloping, is flat, because the huge labour surpluses available in the subsistence sectors of many parts of the developing world enable employers in the modern sector to bid down the wage to the subsistence level, or more precisely the subsistence level plus the costs of transporting workers from the modern to the subsistence sector and settling them there. In Lewis' model, only capitalists in the modern sector save; therefore the gap between the supply and the demand curve for labour, representing the 'capitalist surplus' or the difference between the productivity of the modern sector and the wage paid to it, is the sole source of investment and growth. Maximising that surplus is therefore key to development. There are various ways of pursuing this objective, but one, of particular interest to Lewis both as a student of the British economy and as a fairly recent immigrant from the West Indies to Britain,<sup>1</sup> was for the modern sector to import low-cost labour from developing countries whenever there was a labour shortage and whenever, as a consequence, the right-hand section of the supply curve threatened to turn upwards. If this can be done in sufficient quantity, that on Lewis' argument will hold down the cost of labour, moving the supply curve from  $CD_1$  to  $CD_2$ , and thereby enlarging the 'capitalist surplus' (the area ACE on Figure 1), which provides the basis for investment and growth.



**Figure 1. Lewis' 'unlimited supplies of labour' diagram, with labour imports**

Lewis' writings of 1954 and 1955 have been a cornerstone of development economics for two generations now, and during the last sixty years several studies have confirmed the empirical accuracy of the 'flat labour supply curve' assumption for a number of developing countries (such as Eisner 1961 for Jamaica, Arrighi 1970 for Zimbabwe, and Huff et al (2007) for South-East Asia). However, the relevance of the Lewis model to

<sup>1</sup> Lewis first arrived in Britain in 1933 from St Lucia as a first-year B. Com. student at the London School of Economics. He returned to the West Indies many times, including a period of service as vice-chancellor of the University of the West Indies from 1959 to 1963.

industrialised countries has been much less discussed. Still less is it known that Lewis, in the midst of constructing his model, was at the same time campaigning to improve living standards and attack racial discrimination amongst the Afro-Caribbean community of the city of Manchester where he worked, and thereby seeking in a practical way to offset, in the context of the urban environment of industrialised countries, one of the potential social problems which he saw as being latent in his own analysis of the dual economy. In this paper, we tell the story of how this process worked itself out in Manchester in the 1950s, and illustrate the relevance of the story to external policy interventions in labour markets more generally. In Manchester, as in many cities across the industrialised world, low-cost labour was from the late 1940s onward being imported from developing countries in order to ease labour shortages and reduce the cost of production. Especially if accompanied by racial discrimination, as it was in Manchester and many other places, the process of importing labour caused severe distress and deprivation for immigrant populations. In the second section of the paper, we describe the experience of racial discrimination in Manchester in the 1950s against the background of New Commonwealth immigration, race relations legislation and economic and social policy at the national level, and we make the case for a part of the city, Moss Side, to be seen as a Lewis-type dual economy, in which discrimination could be used as a strategy for keeping the cost of labour low and augmenting their profits. But we also show, at the same time, that an aspect of the dual economy not contained in the Lewis model is the subsistence sector's ability to defend itself against, or find escape-routes away from, oppression and discrimination by the modern sector. The third section of the paper describes Lewis' chosen instruments for fighting discrimination – the South Hulme Evening Centre and Community House -, and relates the innovative logic underlying his choice of instrument to the development theories which he was creating at the same time. The fourth section sketches out the causal process by which the centres were intended to work, and makes a first attempt at a statistical assessment of their impact over the period 1953-1964; and the concluding section summarises the implications for institutional design and policy.

## **2. The economy, 'New Commonwealth' immigration and discrimination in 1950s Manchester**

From the middle of the nineteenth century onward, Manchester's position as the spearhead of the global cotton textiles industry had been contested (Singleton 1986) and strategies had been put in place to diversify its economy. Integral amongst these was the construction of the Manchester Ship Canal in 1894, of the Salford Docks at the eastern end of the canal abutting on to the city centre, and in 1896 of the Trafford Park Industrial Estate, the first industrial estate in Britain, on the southern bank of the canal opposite the docks, where many of the city's new industries including food processing, chemicals and electricals were located (Nicholls, 1996). It was in the Salford docks area that the first substantial populations of black immigrants to Manchester settled (Stanley 1998; Williams 2012), most of them African seamen who, now, had the opportunity of working in Trafford Park as well as the docks themselves. From the docks area, over the course of the 1920s and 30s, they dispersed in various directions, some northwest into Cheetham Hill, some eastward, but a majority southward into Moss Side, immediately south of the city centre. Moss Side had for a hundred years been a zone of Irish and later eastern European Jewish immigration, and in 1865 Engels had castigated the area immediately to the north of this, then known as 'Little Ireland'<sup>2</sup>, as Manchester's 'most horrible spot' (Engels, 1892/1969 : 50). But in the last quarter of the nineteenth century many spacious three-storey houses had been built in the northern and eastern parts of Moss Side, as well as more modest two-up two-down terraced housing further to the south and west; during the inter-war period, many of their middle-class inhabitants in the north-eastern sector had migrated southward to Withington, Didsbury and the Cheshire suburbs, leaving Moss Side in the hands of landlords, some white and some now African, who then subdivided their houses. A majority of the West Indians, white and black, who moved into Moss Side in the 1930s and 1940s lived in these rented rooms, and the fact that more Africans than West Indians accumulated enough capital to be able to buy a house and rent it out was to be the cause of

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<sup>2</sup>'Little Ireland' was north of Moss Side, close to the current Oxford Road railway station; it can be found at the top of the map on Figure 3 below.

intergroup friction between these two ethnic groups<sup>3</sup>. The local authority sector, growing vigorously in other parts of the city, was virtually absent from Moss Side, and from south-central Manchester as a whole, at this stage. This pattern of concentration of black commonwealth immigrants into the rented part of an inner ring of suburbs deserted by their original middle-class inhabitants was to become a feature of many British industrial cities, including Birmingham, Wolverhampton, Leicester, Leeds and Bradford (Rex and Moore 1967; Lomas and Monck 1975).

However, the black population of Manchester was evolving, and becoming both stratified and, up to a point, politically organised. Some Africans were able to buy properties in Moss Side in the late 1930s, and these they used for business as well as residential purposes. Notably, there emerged from this time onward a cluster of Afro-Caribbean night-clubs. Some of them were identified with particular ethnic groups, such as the Palm Beach, eventually the Reno, founded by the Nigerian entrepreneur, Philemon Magbotiwa; the Merchant Navy, also Nigerian; the Cotton Club, Ghanaian in origin; and the Kroo Club, which moved with the trend of the African population in 1938 from Cheetham Hill to Moss Side and whose roots were on the Sierra Leone/Liberian border. All of these clubs offered a welcome and a meeting-place to black people vulnerable to discrimination if they entered pubs and clubs in the city centre and other parts of the city. Some of these Afro-Caribbean owned enterprises had a specifically community-building mission and could be described as social enterprises: Ras Tafari Makonnen, a Guyanese entrepreneur who adopted an Ethiopian name to symbolise his pan-Africanist credentials, established half-a-dozen clubs in south Manchester, but also a library of Afro-Caribbean literature, and a legal advice service to assist black people who were victims of abuse or discrimination. A West Indian doctor based in Longsight, Peter Milliard, established a Negro Association, and the register of members of this association, kept in the People's History Museum in Manchester, features a number of luminaries including Jomo Kenyatta, at that time resident in Britain, the future president of Kenya. The reputation of Milliard and Makonnen was sufficient for Manchester to be chosen as the venue for the 1945 Pan-African Congress (Williams, 2012). During the war years the black community of Manchester was swollen by a large number of West Indian servicemen, who were glad to discover in Moss Side a range of locales where they could unwind in a discrimination-free environment. For those who chose to stay in Manchester after the war, Moss Side was the natural place to settle, in terms of employment as much as in terms of its social atmosphere: Trafford Park was a mere ten-minute ride away on the 53 bus, affectionately known as the 'African Queen'.

In January 1948, Lewis arrived in Manchester to take up his chair, and the first wave of post-war West Indian immigration arrived in Britain on the *Empire Windrush*. Many of the new arrivals chose to look for work in Manchester, many of them attracted by what they had heard about the relatively welcoming social atmosphere<sup>4</sup>. By 1951 there were some 2500 Afro-Caribbeans in Moss Side, just under half of a population of 6,000 in the two Moss Side wards but still less than one per cent of the city's population. In his first publication, the Fabian Society pamphlet *Labour in the West Indies* (Lewis 1939), published when he was just beginning his graduate studies at LSE, Lewis had explained the reason underlying this movement, namely the chronic poverty of most West Indians, which made the offer of a European-level wage attractive to them and provides the rationale for the unlimited labour supply curve, as depicted in Figure 1, which he was to make famous. The average weekly earnings from work of most West Indians in 1948, averaging across the available data, were less than £2 a week<sup>5</sup>, which made the average wage of £5. 98 (£5.19s. 8d) offered by UK manufacturing industry in that year<sup>6</sup> look attractive, not to mention the welfare benefits available in the UK and not in the West Indies, including unemployment benefit of around £1.50 a week and supplementary national assistance benefits of £1.25 to those who fell below an income

<sup>3</sup> See testimony by Aston Gore, case study 34 in Ahmed Iqbal Ullah Centre (2000),p.20, who relates that between Africans and West Indians there was 'no relationship, but rather a barrier'. Not all respondents concurred with this view.

<sup>4</sup> See Ahmed Iqbal Ullah Research Centre (2000), testimony of Fitzherbert Brown, interviewee 30 in the Appendix to Mosley and Ingham(2012).

<sup>5</sup> See Lewis (1939) and Phillips and Phillips (1998).

<sup>6</sup> Source: Ministry of Labour Gazette, 1949. Wages in Manchester were a little below the national average, see table 1 below.

of £3.74 (£3.15s.) a week<sup>7</sup>. This calculus of course did not take into account the cost of housing – much higher in Britain than in the West Indies –, nor of course costs such as the impacts of discrimination and of ill-health due to the smog, cold, bad housing and unfamiliar diet; but many West Indians did not properly foresee these costs, and the push factors out of the West Indies, including the effects of demobilisation, overrode the doubts. It was therefore a ‘rude awakening’<sup>8</sup> for many West Indian migrants newly arrived in Manchester not only to encounter the disadvantages mentioned above, but also to discover that in many cases the wage offered did not even equal the wage which they had earned in the West Indies<sup>9</sup>. However, not all of the migrants arriving in Manchester were earning subsistence wages when they left the West Indies, nor did they all lack capital, as is assumed to be the case in the ‘subsistence sector’ of the Lewis model. As one migrant who travelled to Britain on the *Windrush* noted,

the average Jamaican who came on the SS Empire Windrush on 24 May 1948 was not the destitute. The destitute man did not have £28.10s. for the fare. In my case, it cost three cows. The average Jamaican did not have three cows<sup>10</sup>.

For the Afro-Caribbeans of Moss Side, what did the modern sector, otherwise known as the demand side of the Lewis model, look like? It would be tempting to think of it as increasingly dominated by the structural shifts which had been going on in Manchester for over a hundred years, away from struggling traditional manufacturing industries such as textiles and towards thriving new sectors such as chemicals, electricals and specialised services. In fact, this was not the case. Ceri Peach, in his detailed study (Peach 1968) shows in his study of British cities as a whole that West Indians were under-represented in fast-growing industries, and over-represented in industries which were static or declining. In particular, they

seem to have been drawn in as replacements in industries and services which had difficulty in attracting labour. Notable among those decreasing industries which attracted large numbers were railways, road passenger services and the rubber industry; all services which were in a bad competitive position because of conditions of work or pay (Peach 1968: 74-75).

Thus, employers countrywide and specifically in Manchester seem to have used West Indian and African labour, as they had once done in the colonies, to protect their threatened competitive position; and in Manchester, all of the three ‘decreasing industries’ mentioned by Peach – British Railways, Manchester Corporation buses, and the Dunlop factory in Trafford Park – were very well-represented in our sample of West Indians (see Appendix to Mosley and Ingham(2012)), accounting for 12 cases out of 49, or something like a quarter of the sample. Where these struggling industries found it difficult to compete through the market, by improving their technical efficiency or lowering their prices, it was natural for them to try to retain their foothold through extra-market operations, including racial and other forms of discrimination. Discrimination in this last sense was typically implemented not by employers, who had every interest in securing their labour force at minimum cost, but by trade unions and their staffs<sup>11</sup>, who apart from making it difficult for black employees to acquire union cards invented spurious impromptu barriers such as language and arithmetic tests which black employees, only, were

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<sup>7</sup> These data on benefits and on the poverty line (national assistance threshold) are from the study by Fiegehen, Lansley and Smith(1977),

<sup>8</sup> The phrase is from the title of Elouise Edwards’ first collection of case histories for the Roots Oral History Project (Ahmed Iqbal Ullah Centre 1983).

<sup>9</sup> See case studies 24 (Barrington Young) and 34(Aston Gore) in Appendix to Mosley and Ingham (2012), who similarly report that their wages fell from West Indian levels when they arrived in the UK.

<sup>10</sup> Phillips and Phillips (1998),page 59, record of interview with Sam King.

<sup>11</sup> As Lewis noted in his Theory of Economic Growth, ‘in every country where the wage level is relatively high, the trade unions are bitterly hostile to immigration, except of people in special categories, and take steps to have it restricted’ (Lewis 1955:177). As one of his first actions after arrival in Manchester, Lewis had reported cases of such discrimination reported in the Manchester Evening News (Rhodes House, Oxford: Fabian Colonial Bureau Archives 5/6 folio 44, Lewis to Fabian Colonial Bureau, 5 March 1948, reporting article published in Manchester Evening News on 28 February 1948).

required to pass<sup>12</sup>. Discrimination of this sort could often be circumvented if Afro-Caribbean employees, taking advantage of family and workplace social connections, were able to appeal directly to the employer<sup>13</sup>, or even to take discriminatory trade unions to court<sup>14</sup>. Social connections which could enable employees to achieve a proper return on their human capital in this way were vital, and we shall refer to them as *vertical social capital*<sup>15</sup>. But finding a way through this labyrinth was not easy for most Manchester Afro-Caribbeans, who typically lacked access to these connections, were highly vulnerable to shocks and were forced to subsist below the poverty line. Indeed they formed, within Manchester, part of that reserve army of labour which Lewis, in his most famous development model (figure 1 above), was to analyse in the form of a flat labour-supply curve apparent in many developing countries.

Apart from taking advantage of vertical social capital, Manchester Afro-Caribbeans' main option for increasing their bargaining power was to accumulate physical capital, typically in the form of housing. But it was not easy for them to get a mortgage, because the size of the down payment required by banks and building societies (typically 25% of the sum required to borrow) excluded very many West Indian would-be applicants for home loans. Even if a mortgage were granted, 25 and even 20-year loans were typically not available: building societies, at that time, were working with actuarial tables which gave West Indians' average life expectancy as 45, and therefore would only grant home loans for a maximum term of 15 years<sup>16</sup>. Needing an alternative source of capital, Manchester West Indians found it, as Manchester Africans had done, in the shape of the traditional institution of the *susu*, as they are known in West Africa, or a 'pardner group', the Jamaican term. Pardner groups are affinity-group savings and credit associations of a kind which have existed for centuries in many countries including the United Kingdom (Besley, Coate and Loury 1993), and in Moss Side, they rapidly became established – in shops, night-clubs, sports clubs and private houses – to supplement Afro-Caribbeans' sparse access to high-street finance<sup>17</sup>.

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<sup>12</sup> See evidence of Beresford Edwards, Ahmed Iqbal Ullah Resource Centre(2000), Case Study 29.

<sup>13</sup> For the dockworker Arthur Culpeper, who arrived in Manchester in 1954, personal contacts were crucial:

Interviewer Was it easy for you to get the job on the docks?

-No, it was very difficult. That was, I saw it almost like a close-shop system, whereby you have to know an uncle or some extremely, some good friend who was in a very good position. It was like a clanny sort of set-up like... I got through that and eventually [after a year working at a wage below the supplementary benefit level] got a job as a 'stevedore' down the hold of a ship [at doubled wages] which I held on to for nearly eleven years<sup>13</sup>. Ahmed Iqbal Ullah Resource Centre(2000, Case Study 25.

<sup>14</sup> In 1960 Beresford Edwards (see note 11 above) took his trade union, the printers' union SOGAT, to court over their refusal to grant him membership of the union. He was fortunate enough to get the daughter of Hugh Gaitskell, at the time leader of the opposition, to fight his case, aided by Lewis' strong working relationship with Hugh Gaitskell. Edwards won his case, and secured £8000 compensation from his employer. This was the landmark case of SOGAT vs. Edwards(1960). Ahmed Iqbal Ullah Resource Centre (2000), interview with Beresford Edwards, p.9.

<sup>15</sup> The idea of social capital – the possibility of deriving economic gain from membership of social networks – was first widely popularised by Robert Putnam's work on Italy (Putnam 1993). Putnam argued that the historical gap between the rapid development of the north and the stagnation of the south was due not to differences in investment (physical capital) or even knowledge (human capital) but rather to the difference between the open, participative political environment of the north, in which social networks were dense and ideas freely shared, and the restrictive, sometimes intimidatory environment of the south, in which social networks were thin and new and threatening ideas were suppressed. Later writers have made an analytical distinction between 'horizontal' or 'bonding' social ties, which connect individuals with other members of the community, and vertical or 'bridging' social ties (sometimes also called 'linking' social capital) between members of neighbourhoods and institutions and individuals who had the ability to help them ascend the social ladder (see Woolcock, 1998; for a more recent review, see Serra, 2011). We use the term vertical social capital to denote relationships of the latter kind, between an individual whose bargaining position is weak and an individual or agency who can help strengthen that bargaining position.

<sup>16</sup> Barrington Young, interview with author, Manchester, 19 September 2012.

<sup>17</sup> See Ahmed Iqbal Ullah Centre(2000), transcript of interview with Beresford Edwards, pages 13-14.

A portrait of the Afro-Caribbeans of Moss Side in 1951 – the year in which Lewis began to scheme seriously on their behalf – would therefore resemble the following. The population, of about 2500, was mainly male, and mainly in wage employment; there was at this stage little unemployment. Even though many of them were quite highly skilled, discrimination was reflected in the fact that the majority of the Afro-Caribbean population only earned labourers' wages, and their average wage was well below that paid to white workers, only just above the national assistance level or poverty line (estimates of the differential are provided in Table 1 below). Two potential ladders out of that poverty were available. One ladder was to achieve a wage which overcame the effects of discrimination and provided a proper reward for responsibility and skill, and what we have described as vertical social capital was very important in increasing the likelihood of this, as was any initial capital that had been brought over by migrants, tenacity and luck – the luck to stay well, find the right accommodation and find the right contacts. The other ladder was to earn income from self-employment, for example a shop, a club or even a night-club – but this required premises in which to operate, which in turn required a mortgage, in acquiring which access to the partner system was an invaluable social asset. Thus the possibility of escaping from the subsistence sector was there and was taken by many; but if ladders out of poverty existed, so also did snakes which deepened that poverty. Illness and accidents which made it impossible to work represented one snake, as did getting into the debt trap; and when single women began to join the flood of migrants, another frequent and tragic case consisted of girls who got themselves pregnant with the intention of living on welfare benefits, only to find themselves assaulted by their children's fathers and sometimes thrown out of their rented accommodation when their children were discovered to be living there<sup>18</sup>.

Hence the West Indian population of Manchester, even though on migration it fitted quite well Lewis' characterisation of a 'subsistence sector', was often able to escape from that ascription. Part of it was able, as we saw above, to achieve promotion and to fight discrimination; part of it was also able to accumulate capital, both in the form of housing and by starting small businesses. In Figure 2, we redraw the original Lewis model of the dual economy (figure 1) to incorporate the three main novelties introduced in this section - discrimination in the sense of non-payment of a skilled labour premium (the flat, heavy-type section AB of the Lewis labour supply curve); the possibility of combating this discrimination either by challenging exploitation or by earning additional nonwage income, which raises income, in the diagram, from point C to point D; and the influence of unexpected demographic, health and other shocks, which serve as snakes and ladders which unexpectedly raise or lower income.

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<sup>18</sup> Raphael Phipps, a Manchester bus-conductor, drew attention to the case of 'nice youngsters...you couldn't believe the opportunities they had. You don't believe it and they are just downright layabouts. They have four, six, seven, eight children around the place.

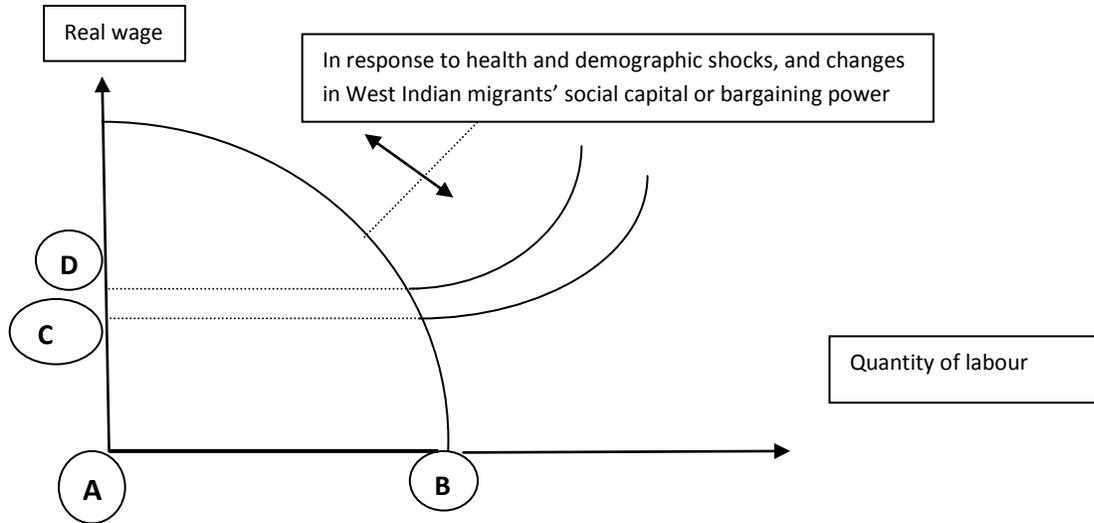
Them get off the buses from child here... They're up to last week a young girl,, she should have still been in school, she can't get off the bus, two following behind one in her hand. She have a shopping bag , and she try to lift up the trolley of what she carry for the baby in her hand.

She don't want to know who the father is. And that same father go back and knock hell out of her...he know she have the money and him wanting to drink and sleep for nothing.

Do you wonder why some of the black people are in Prestwich, and other institutions? Do you know [that]many people are in Prestwich [Asylum], parents are in there because of this same situation we are talking about?'

Ahmed Iqbal Ullah Centre 2000: transcript of interview with Raphael Phipps, 14 August 1999. Prestwich was, and still is, the main psychiatric hospital in Manchester.

**Figure 2. The Lewis Model, incorporating discrimination and responses to it**



We now discuss how Lewis, between 1951 and 1957, chose to intervene in this landscape, and the consequences of this intervention.

### 3. Lewis' anti-discrimination instruments: the South Hulme Evening Centre, Community House, and inter-institutional competition

In Manchester, by contrast with London and most university cities, the conditions in which the most distressed people live are not well screened off from the well-heeled central area and university precinct. This is still true now, but was even more the case in 1951 when the welfare state was in its infancy, when thousands of vulnerable, sick and old people were killed off each winter by the smogs<sup>19</sup>, when the housing stock of the inner-cities (and in particular Manchester) was semi-ruinous and when anyone looking west or southwest from an upstairs window anywhere on the Manchester University central campus would find themselves looking not at comfortable middle-class housing but at Moss Side, the poorest suburb of Manchester.

Lewis, academically over-extended as he might be, was determined to do something practical about this predicament, which he felt as the predicament of his own people. Of the three thousand or so black people in Manchester, most were from the West Indies and a good few from his own island of St Lucia<sup>20</sup>, seeking to get away from the kind of conditions he had himself experienced and described in *Labour in the West Indies*. The late 1940s and early 1950s were the time when Lewis was most outspokenly angry about the disparity between rich and poor, and its strong overlap with the disparity between black and white. He had been contacted in early 1950 by the Rector of Moss Side, who had tried and failed to attract the interest of the Colonial Office<sup>21</sup>. In his work for the

<sup>19</sup> A combination of fog and smoke from coal fires, which would descend on industrial cities each autumn and often, if there was no wind, get into people's lungs over periods of several weeks on end throughout the winter. See Manchester Evening News, Letters to the Editor, 20 October 1953, page 4.

<sup>20</sup> Data from 'Growing Coloured Community funds for itself', Manchester Guardian, 24 March 1953, and 'Open door for coloured immigrants: demand for restriction resisted', Manchester Guardian, 20 November 1958.

<sup>21</sup> Lewis Archives, Princeton: Box 9/4: Michael Meredith, Rector of Moss Side, to Lewis, 12 January 1950.

Colonial Office, which contains the seed of what was to become development economics (Ingham and Mosley 2013: chapter 3) Lewis had become so riveted on the idea of mass education – an idea then fashionable within the Labour Party - as the key to development as to devote an entire report on national economic planning to this theme<sup>22</sup>, and so it was natural that further education would become the focus of his efforts for Afro-Caribbeans in Manchester. By early the following year, Lewis had been in touch both with the Bishop of Manchester and with Manchester City Council's education department and had discovered that a proposal already existed on the file, never acted on, to establish a community centre in Moss Side<sup>23</sup>.

In spite of somewhat discouraging initial reactions from the City Council<sup>24</sup>, Lewis determined to revive the idea, and in particular to get the community centre established as a meeting-point and a training centre for the Afro-Caribbean group who were the main minority then living in Moss Side. Politically, his strategy was to enlist support from the business, academic and voluntary sectors, - especially the churches<sup>25</sup>, and then use that support as a stick with which to convince a sceptical City Council that demand, and potentially cofinance, for an Afro-Caribbean centre existed. Within the business sector his main approach was to Sir Thomas Barlow, the chairman of the District Bank, whom he successfully managed to involve not only as co-sponsor, with the Bishop of Manchester, of an appeal to raise £3000 for a new building, but also as a small business adviser, knowing that financial intermediation would be needed if the centre was to create self-employment among Afro-Caribbeans, in augmentation of what was already being raised by the partner system and the *susus*<sup>26</sup>. Within the voluntary sector, Lewis got support from all church denominations, and also convened meetings, in his office, of the leaders of black secular associations across the city, including the Negro Association, the Coloured Seamen and Industrial League, the Ibo Union, the Gold Coast Brotherhood, the Kroomen Friendly Society, the West Indian Friendly Society and the African Students' Union<sup>27</sup>. Within the university, Lewis' main ally was Max Gluckman, the recently appointed Professor of Social Anthropology. The arrival of Gluckman, a radical socialist, from South Africa in 1949 was well timed to coincide with Lewis' movement at that time towards a more radical political agenda. Lewis, a Fabian, had, as we saw above, been disgusted by evidence of the collusion of the English trade unions in discrimination against black miners in Lancashire, and he was to be even more disgusted when, in early 1950, Patrick Gordon Walker, a Colonial Office minister of state in the Attlee government, decided to exclude Seretse Khama, a Bechuana chief and future president of Botswana, from the Bamangwato territory of Bechuanaland in order to please the South African apartheid regime. Gluckman and Lewis both published letters in the *Manchester Guardian* deploring the decision<sup>28</sup>, which helped to seal their friendship.

At the same time as Lewis was searching for a more radical politics, Lewis was also searching for an explanation of development which went beyond conventional economics and embraced the other social sciences also. Here too Gluckman was a willing ally. When, in the traditional sector of the dual economy in *Unlimited Supplies of Labour*, Lewis daringly broke with the traditional economic assumption that the price of all factors of production is equated to their marginal cost<sup>29</sup>, and instead posited that all factors of production were paid their average cost (in other words that there is an equal share-out of the product in traditional societies, carrying the implication that weaker members of those societies receive a sustenance even if they are not contributing to the community's production) he first ran the idea past Gluckman, asking him if it corresponded with his own understanding of the way the traditional societies of southern Africa operated<sup>30</sup>. And when Lewis asked Gluckman

<sup>22</sup> Lewis' report on mass education (Lewis 1948) is an internal Colonial Office document. The key populariser of the mass education theme in the Colonial Office was Arthur Creech Jones, Colonial Secretary in the Attlee government, who in 1943 had sponsored the publication of a Colonial Office policy document with this title (United Kingdom 1943).

<sup>23</sup> Lewis Archives, Princeton: Box 29, N.G. Fisher, Chief Education Officer, Manchester City Council, to Lewis, 12 July 1951.

<sup>24</sup> Lewis Archives, Princeton: Box 29, N.G. Fisher to Lewis, 12 July 1951.

<sup>25</sup> The Bishop of Manchester, as well as Sir Thomas Barlow, was persuaded by Lewis to be on the organising committee. Lewis Archives, Princeton: Box 29, leaflet on Colonial People in Manchester, September 1953.

<sup>26</sup> Lewis Archives, Princeton: Box 29, Lewis to Sir Thomas Barlow, 26 March 1952.

<sup>27</sup> Lewis Archives, Princeton: Box 29, Lewis to Councillor W.A. Downward, 6 March 1952.

<sup>28</sup> Lewis and Gluckman, letters to *Manchester Guardian*, 12 and 15 March 1950.

<sup>29</sup> Lewis, *Economic Development with Unlimited Supplies of Labour* (Lewis 1954), page 128.

<sup>30</sup> Ingham and Mosley (2013), chapter 4.

for assistance in finding a researcher who could help him understand the social relations of Moss Side, with a view to designing a community centre which would be effective in fighting discrimination, he found for him a Sierra Leonean anthropologist from Edinburgh University, Eyo Basse Ndem, who was carrying out research in Moss Side. Gluckman's wife, Mary, agreed to be on the eventual organising committee of seven members, which was balanced between private, government, and voluntary sectors, but with Ndem as the only academic representative apart from Lewis. Given Lewis' lack of experience in field research and in the voluntary sector, it is remarkable to observe the trouble he took to make sure that all parties 'owned' the proposal and to pre-empt the inevitable charges of airy-fairy social experimentation. The council gave approval in principle for the new centre in December 1952<sup>31</sup>.

In late 1952, before settling on a curriculum for the new centre, Lewis researched and circulated alternative models for community centres in other cities with a high proportion of ethnic minorities, including Birmingham and Liverpool<sup>32</sup>. However, the eventual design which he hit on was not simply a social centre and youth club with training added, - the model piloted in Birmingham and Liverpool and subsequently applied in many other places - , but something much more ambitious than this.

As discussed above, Lewis believed passionately in 'mass education', and he naturally saw the educational exclusion of many Manchester immigrants as a test case of the factors which caused underachievement everywhere. However, he knew that if the centre was to be able to make a difference within the labour market, it needed not only to provide formal education and training, but also to tackle the problem highlighted in the previous section, namely that those who did have qualifications were because of discrimination not being recompensed for them. This then brought into play issues of legal rights, sources what we have earlier called 'vertical social capital' and the black community's awareness of these. Ndem's inquiry into the labour market in Moss Side, entitled simply 'Memorandum', commissioned by Lewis in 1952 and circulated to members of the organising committee, gave a graphic picture of this discrimination<sup>33</sup>.

Ndem's analysis encouraged Lewis to identify the fundamental problem of Afro-Caribbeans in Moss Side as being not just a lack of skill (human capital) and a lack of social facilities specific to the community ('bonding social capital') such as was provided by other inner-city social centres such as Stanley House and the Clifton

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<sup>31</sup> Greater Manchester County Record Office: Manchester City Council Education Committee minutes: Meetings of the Further Education Sub-Committee, folio 1763, 15 December 1952.

<sup>32</sup> In Liverpool the model which Lewis examined was the Stanley House Centre for Coloured People, established in 1942, and in Birmingham the Clifton Institute for Coloured Peoples, established in 1951. Stanley House was essentially a social club with sports and recreational facilities, but in the Clifton Institute the focus was much more educational, with a basic course in English being compulsory, after which the student 'expands his studies to take geography, history, mathematics, and technical shop work.'. Article on 'Escaping from the prison of illiteracy: help for coloured immigrants', Manchester Guardian, May 19 1952.

<sup>33</sup> Lewis Archives, Princeton.: Box 29, E.B. Ndem, 'Memorandum' to members of the Organizational Committee for the South Hulme Evening Centre, p.2, reported that:

- black people universally experienced difficulties in being promoted to positions of responsibility;
- the Manchester Corporation transport department 'has decided on a fixed quota of Coloured drivers and conductors to be employed even though there are shortages of men in these categories',
- many of the gains made during wartime in integrating Afro-Caribbeans into the forces were being undone. In the particular case of the Merchant and Royal Navy, 'Whites have ousted Coloured with the connivance of and, at times, open encouragement by the National Union of Seamen (of) which practically all Coloured Seamen are members'
- five named public houses (all of them on the south side of the city and two of them in Moss Side) refused to accept black people. Restaurants would normally accept black customers but not always, and typically 'not without discourtesy'
- there were a number of complaints of brutality (as in Beresford Edwards' evidence quoted earlier) by white police against black suspects.

Institute – and indeed by the partner groups. Rather, with the help of Ndem’s research, he saw the core problems as Afro-Caribbeans’ inability, because of discrimination, to link to the social networks which would enable them to climb the ladder to higher grades in the labour market, compounded by lack of the required specialised legal and technical advice which could enable them to get redress from government and the courts. Lewis therefore resolved that the new centre needed to provide these linking services – ‘vertical social capital’ as we have called it - and where necessary to conduct its own research, as Ndem had done, to increase public awareness of the problems which the community was confronting. In his letter to Sir Thomas Barlow, Lewis specified that apart from a meeting-place and a college, the proposed centre would need to be

a place where social service agencies could be brought into contact with the African population. The Citizens Advice Bureau would like to send someone there regularly. W.E.A. and extra-mural classes could be arranged.. The various organisations working among children would welcome an opportunity to meet the population in their own place. The churches have expressed interest in holding religious services there from time to time...<sup>34</sup>

In early February, under the impetus of this barrage of advocacy and fund-raising effort, permission to open the institute was finally granted by Manchester City Council, as a centre open to all, which would cater principally for the needs of ethnic minorities<sup>35</sup>. The City Council agreed to allocate a wing of Bangor Street Boys’ School for use as a community centre, to be known as the South Hulme Evening Centre, insisting that these were the best premises which it could make available. They had one important disadvantage. They were not in Moss Side, but in Hulme, a mile and a half to the northwest (at (1) in Figure 3 ) – at the time an almost entirely white working-class area. In spite of this the South Hulme centre still managed to attract, in its first year, a high proportion of students from Moss Side, the poorest ward in Manchester. Most of these were male, of West African rather than West Indian ethnicity, and the most popular classes were in English language, music and dressmaking and tailoring<sup>36</sup>.

In addition, Brother Bernard, a Catholic missionary recently returned from Africa, agreed during this same summer of 1953 to establish a non-denominational social centre, to be known as Community House, almost opposite the premises of the Anglican Christ Church, in Moss Lane East, also right in the heart of Moss Side (at (4) in Figure 3). This centre from the first announced its intention to run vocational evening classes and to establish an advice service, on the model pioneered by Lewis; indeed, Lewis agreed to join the board as vice-president. Indeed, with Lewis’ encouragement it had modelled itself very closely on the South Hulme Community Centre, offering classes in ‘English, arithmetic, housecraft, music and so on’, posting on its notice-board a list of employers willing to hire Afro-Caribbeans and landlords willing to take them in, and finding ‘several solicitors (willing) to give legal advice at the centre’<sup>37</sup>. Not only this, but the appeal for a new building which Lewis had made in 1952 to Sir Thomas Barlow and others on behalf of a putative South Hulme Centre had by now been transferred to the new Community House, which now published the designs for the new centre as a proud and shining contrast to the gloomy and indeed rather correctional atmosphere which then prevailed in Moss Lane East. During the course of 1954, St Gerard’s Catholic Church also opened a social club, without educational facilities but in the heart of Moss

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<sup>34</sup> Lewis Archives, Princeton: Box 29, Lewis to Sir Thomas Barlow, 26 March 1952, p.2.

<sup>35</sup> Princeton University, Lewis Archive, Box 4: Norman Fisher, Chief Education Officer for Manchester, to Lewis, 5 February 1953.

<sup>36</sup> The South Hulme Centre had 97 paid-up students (83 male and 14 female) by December 1953; and 58 of these were of West African ethnicity, by comparison with 25 West Indians and four white students. Manchester City Council, Education Committee minutes, minute 663 of 19 July 1954.

<sup>37</sup> ‘Miss Horsburgh to Open New Centre for Coloured People: Missionary Society Work in Manchester: Manchester Guardian, 13 October 1954. Getting Miss Florence Horsburgh, the Minister of Education, whose parliamentary constituency covered Moss Side, to open the centre was a big coup for the centre.

Side<sup>38</sup>, (at (7) in Figure 3) and the West Indies Cricket Club, previously a purely male-oriented sports club, began to metamorphose into a social club and to offer evening classes for Afro-Caribbeans, also in the heart of Moss Side in Darcy Street (at (6) in Figure 3)<sup>39</sup>.

In face of its unfavourable location and this suddenly intensified level of competition, the South Hulme Centre perished, after its bright start, in 1955<sup>40</sup>. However, Community House survived; it merged in 1961 with the West Indies Cricket Club, which had initiated evening classes of its own, and the merged institution, now known as the West Indies Sports and Social Centre (WISSC), continues through to the present (Ingham and Mosley 2013, chapter 5). This centre continues, fifty years on, to pursue the functions of social support, training and liaison with the City Council and other authorities which Lewis encouraged them to adopt as anti-discrimination instruments.

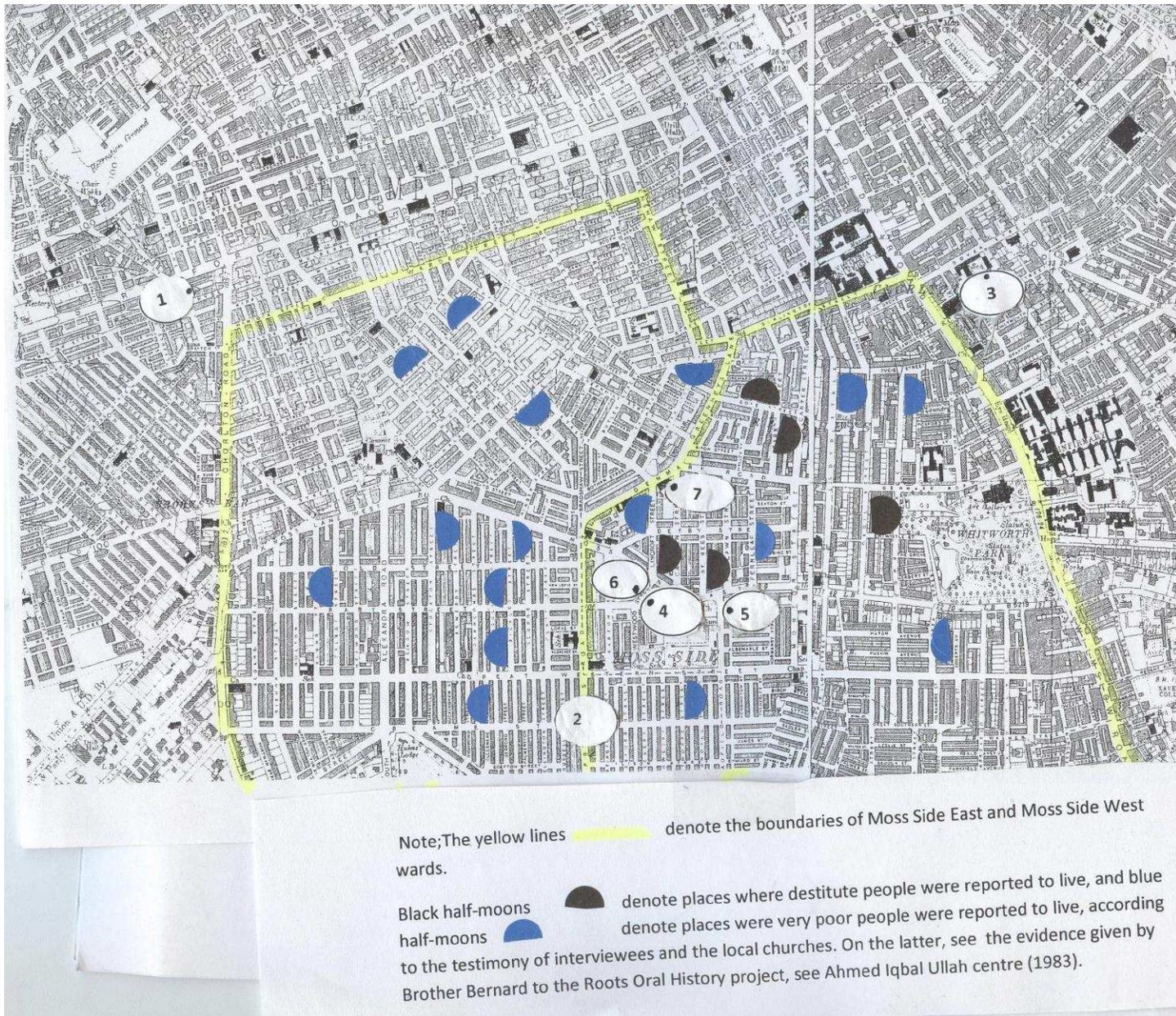
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<sup>38</sup> Eric Blackburn, the principal of the South Hulme centre, despairingly described St Gerard's Overseas Club as being 'purely social in character. But as it is right in the centre of the area where the majority of the coloured people live it certainly has first call on their affections.' Greater Manchester County Record Office: Manchester City Council Education Committee minutes 1954-55; minute of meeting of the Further Education Sub-Committee, folio 1960, 20 December 1954. Emphasis added.

<sup>39</sup> This process of gradually intensifying competition among West Indian social centres is described by Mosley and Ingham (2012: 33-35)

<sup>40</sup> The South Hulme Centre had 97 paid-up students (83 male and 14 female) by December 1953, but this had dropped to 20 by the end of 1954, under the stress of competition from Community House and two other adult education centres aiming at the West Indian market. The Corporation paid for Afro-Caribbean students at South Hulme who wanted to continue their studies to transfer to one of these other centres, and also allowed the South Hulme centre to continue as a play centre open on one evening a week, which it was continuing to do at the end of 1957 when Lewis left Manchester. Greater Manchester Record Office; Manchester City Council minutes 1958-59; minute of meeting of Further Education Sub-Committee, folio 2805, 16 March 1959.

**Figure 3. Key locations in Hulme and Moss Side (Map reproduced by permission of Manchester City Libraries).**



**Key to locations:** **1** = South Hulme Evening Centre, Bangor St. (formerly the Evening Centre for Coloured People)

- ② = Moss Side: main residential concentration of Afro-Caribbeans in Manchester.
- ③ = Lewis' office in the Department of Economics, Dover St.
- ④ = Community House Social Centre, Moss Lane East.
- ⑤ = Christ Church Moss Side, Monton St./Moss Lane East.
- ⑥ = West Indian Sports and Social Club (formerly Cricket and Sports Club), Darcy St., later Westwood St (merged with Community House in 1961)
- ⑦ = St Gerard's Overseas Club, Denmark Rd.

Thus, Manchester Afro-Caribbeans, in common with disadvantaged groups in developing countries, were involved in a game of snakes and ladders as they sought to pull themselves out of the city's subsistence sector: the snakes were unexpected shocks which, in the worst case, could drive them into destitution and worse, as recorded above<sup>41</sup>, and the ladders consisted of the informal solidarity institutions, such as the *pardner* system, which they themselves were able to create, together with their own savings and any other levers that could be constructed to give them bargaining power. The big idea underlying Lewis' institutional design, and embodied in his two social centres, was to try and create vertical social capital to compensate for the inability of Manchester Afro-Caribbeans, because of the effects of discrimination, to earn a proper yield on their human capital. We now attempt to assess how well the idea worked in practice.

#### 4. South Hulme and Community House Social Centres: analysis of impact

We wish to assess, as well as is feasible given the limitations of the data, the impact which Lewis's evening centres (South Hulme and Community House) were able to make on the well-being of Afro-Caribbeans in South Manchester in the 1950s. We begin (table 1) by comparing trends in black earnings with those for the country as a whole over the years 1951-59. The period was one of respectable growth (certainly by the standards of the previous four decades) for the national economy as a whole, during which fiscal and monetary policy were used to try and achieve full employment and control inflation at the same time. But on two occasions, in 1954-55 and 1958, demand had to be restrained in the cause of controlling inflation and the balance of payments, causing a rise in unemployment. During the more serious second episode, when one report suggested that unemployment amongst black people in Moss Side might have risen to 50%, there were race riots in Nottingham and in Notting Hill, London; many in Manchester congratulated themselves that a more tolerant policy or social climate appeared to have prevented similar disturbances from happening there<sup>42</sup>.

Real earnings, as may be seen from table 1, rose by 16% over the decade for the country as a whole, but in Manchester the rate of increase was less than this for the public sector at any rate (we do not have estimates of private-sector wages for the city). When we look at our sample of black wage earners in Manchester, however, we observe a bifurcation. Across the group as a whole, the increase over the decade is nearly 25%, or higher than that for all wage earners nationally: many Manchester Afro-Caribbeans had managed to ascend the ladder out of the subsistence sector. But for members of the Manchester black sample who had no capital assets, the increase over the decade is insignificantly different from zero; they have remained trapped at near-subsistence income levels on

<sup>41</sup> See page 10, note 17 above.

<sup>42</sup> See for example interchanges in the Manchester Guardian on 'The Nottingham race riot: economic factors', August 29 1958 and on 'The roots of racial conflict: ignorance and prejudice', 4 September 1958, also Barry Cockcroft 'Strangers in our midst; a dream ends in squalor', Manchester Evening Chronicle, 2 June 1958.

the flat part of Lewis' 'unlimited' labour supply curve. Membership of the West Indian social centres which offered night-school education (the South Hulme centre, Community House and the West Indies Sports and Social Club – we exclude St Gerard's as it did not offer training) is however associated, from their inception in 1953-54, with a higher level of earnings and a higher level of household income, significant at the 5% level, than is achieved in the Afro-Caribbean sample as a whole.

**Table 1. Trends in real earnings, 1951-59: various Manchester groups in relation to UK average**

Year	1951	1952	1953	1954	1955	1956	1957	1958	1959	Growth rate 1951-59 (% p.a.)
<b>Great Britain, all employees:</b>										
Average money earnings(current prices; £/week)	7.01	7.34	7.87	8.33	9.34	9.98	10.25	10.49	11.11	
Average real earnings (index 1951=100)	100	97.1	99.2	102.2	112	112.5	111.7	111.8	116.4	1.6
<b>Manchester, public sector:</b>										
Average money earnings(current prices; £/week)	6.50	6.77	7.23	7.45	7.65	8.80	8.82	10.09	9.99	
Average real earnings (index 1951=100)	100	97.1	98.7	99.2	99.8	108.1	104.6	114.5	111.7	1.1
<b>Manchester, sample of black (Afro-Caribbean) wage earners:</b>										
Average money earnings(current prices; £/week)	3.87	3.90	4.06	4.78	5.36	5.36	5.98	6.09	6.51	
Average real earnings (index 1951=100)	100	95.6	93.7	107.9	118.2	110.9	117.8	117.3	124.7	2.5
<b>Manchester, sample of black (Afro-Caribbean) wage earners, those with no capital assets only:</b>										
Average money earnings(current prices; £/week)	3.90	3.75	3.49	4.20	4.52	4.86	5.15	5.30	5.31	
Average real earnings (index 1951=100)	100	88.3	91.4	95.7	100.4	101.9	104.1	103.3	101	0.0
<b>Manchester, sample of black (Afro-Caribbean) wage earners, members of Community House, South Hulme Evening Centre and West Indian Sports and Social Centre only:</b>										
Average money earnings(current prices; £/week)	na	na	na	7.21	8.00	8.30	8.33	8.78	8.79	3.1
Average real earnings (index 1951=100)	100	na	na	118.9	132.8	127.7	127.6	131.5	131.6	

<b>Manchester, sample of black (Afro-Caribbean) wage earners:</b>										
Average total household income, equivalised (current prices; £/week)	3.98	4.27	4.46	5.01	6.41	7.08	8.03	8.73	9.83	8.1
Real total household income, equivalised (index 1951=100)	100	100.2	100.4	111.8	137.4	143.5	155.6	163.1	180.9	

**Sources: Earnings and retail price index, Great Britain:** United Kingdom, Ministry of Labour, *Ministry of Labour Gazette*, various issues between 1951 and 1960.

**Public sector earnings, Manchester:** Greater Manchester Archives: Minutes of meetings of Manchester City Council, various between 1951 and 1960, in particular reports of the Investigation Sub-Committee and the Transport Sub-Committee. The following categories of public sector wages were included in the calculation; Town Hall works; building labourers; general labourers; bus drivers and conductors.

**Earnings of Afro-Caribbean wage earners, Manchester:** from interview transcripts collected either by Ahmed Iqbal Ullah Centre(1983, 2000) or by author. In final row of table, 'equivalised income' is derived from total household income by applying the following coefficients to each household member:

First adult	0.67
Spouse, other second adult, third and subsequent adults	0.33
Child aged 14 and over	0.33
Child aged under 14	0.20

This method, known as the *OECD equivalence scale*, aims to adjust incomes according to need on the basis of household size and composition to express all incomes as the amount that a childless couple would require to enjoy the same standard of living (see, for example, Brewer et al. (2009), and for discussion of equivalence scales more generally, Fiegehen et al. (1977), especially chapter 7.)

In supplementation of the trends revealed by Table 1, it would be desirable to have a picture of how the West Indian social centres worked, as well as simply whether they were associated with increased levels of well-being. For this purpose some sort of causal model is needed. The one we propose follows directly from the preceding argument and specifically from the 'augmented' Lewis model of Figure 2. We must strongly emphasise that this is only a first experimental attempt to quantify the impact of Lewis' centres. It is beset in particular by two problems. The first is that our data on the wages, earnings and capital assets of Manchester Afro-Caribbeans are not derived from an orthodox sample survey but rather transcribed from interviews contained in the Ahmed Iqbal Ullah centre archive (Ahmed Iqbal Ullah Centre 1983, 2000), which were selected not at random but on the criterion that they would yield 'useful interviews for educational purposes'<sup>43</sup>. The second is that, as is common especially in cases of non-randomly selected samples such as this one, our attempt to quantify the impact of the centres suffers from the problem of *selection bias*, namely that in spite of Lewis' efforts, the centres may have reached only the better-off residents of Moss Side, and that what will appear from our analysis as the beneficial effect of the centres may reflect only the fact that the Lewis centres attracted the more employable (on the general problem of selection bias, see Khandker and Pitt, 1996; Khandker, 2005 ). We shall use standard tools of instrumentation to try and counteract the latter bias, but what follows must be read with both these biases in mind, and should be seen as a first cut at the problem intended to stimulate future research.

In Lewis's original supply-and-demand model of the labour market (Lewis 1954), the demand curve is orthodox, and determined by the value of the marginal product, which, we may assume, shifts at a rate determined by the growth of the economy:

$$L_d = f(w, \Delta Y) \quad (1)$$

where  $L_d$  = labour supply,  $w$  = modern-sector (i.e. Manchester, or more precisely Moss Side Afro-Caribbean) wage rate and  $\Delta Y$  = change in income.

<sup>43</sup> Elouise Edwards, interview with author, 19 September 2012.

Lewis' famous 'unlimited labour' supply curve posits that there will be a flat labour supply curve at a rate determined by the asking price in the subsistence economy – which for the purposes of this argument is the wage rate in the West Indian islands in the 1950s. (We shall assume that this applies also to the case of the African population of Moss Side, which as discussed was by 1951 far lower than the West Indian population.)

$$L_s = f(w, w_s) \quad (2)$$

where  $w_s$  is the supply price of labour in the countries or regions of origin of the labour supply.

Our first innovation is to note that immigrants may be subject to many sorts of discrimination, of which the key one, from the point of view of determining their earnings, is that they may not be paid the premium to which their skills or on-the-job experience entitle them. In figure 2, we expressed this as an average cost curve (incorporating the earnings of skilled labour) which, for at least part of its length, does not sit above the average cost curve for unskilled labour. Let the premium paid to skilled or experienced labour be  $\alpha$ ; as the level of discrimination applied to nonwhite labour increases, so  $\alpha$  goes to zero:

$$w = a_1 w_s + a_2 w_u; \quad a_1 + a_2 = 1 \quad (3a)$$

$$w_s / w_u = \alpha \quad (3b)$$

where  $w_s$  = earnings of skilled labour,  $w_u$  = earnings of unskilled labour,  $a_1$  = share of skilled labour in workforce,  $a_2$  = share of unskilled labour in workforce.

But discrimination, by the argument of this paper, is not an autonomous variable. As discussed above, black people subjected to discrimination became involved in a bargaining process with trade unions practising it. We may represent the outcome of this bargaining process, as in Harsanyi (1977) as determined by the *risk limits* of the two parties; that is, the highest risk, or subjective probability of a conflict, which one party to the game (say a West Indian employee faced with discrimination) is willing to tolerate in order to obtain an agreement on his own terms rather than on his opponent's (i.e. the trade union's) terms<sup>44</sup>. Each party's risk limit, we can plausibly argue, increases as the resources available to that party increase, enabling them to invest resources in a battle in court, or in seeking information about what has been paid to other colleagues; as their awareness of strategies which they can deploy against their opponents increases, increasing their expectation that they can reasonably hope to win the game; and as their 'vertical social capital', or capacity for making advantageous social connections with the authorities, increases, which also increases their subjective self-confidence and the range of arguments they can deploy in negotiation. Thus, amongst the Moss Side West Indians whom we have been discussing, those who managed to resist discrimination and get paid a proper premium for their skills were those who were able to learn the necessary tacit knowledge on the job<sup>45</sup>, those who had powerful people in a position to help them and those who discovered powerful institutions in a position to help them, and were willing to take employers who practised discrimination to court (such as Beresford Edwards, see note (5) above); and these tended to be those who had a little capital of their own to protect them. By contrast, the losers in the bargaining process tended to be those who were most vulnerable, least knowledgeable and motivated to seek out information, and had least ability to take advantage of social networks.

Thus the level of discrimination suffered by a particular employee,  $\alpha_i$ , depends on the position of his risk limit in relation to that of the union with which he is bargaining:

<sup>44</sup> Formally, the risk limits of the two parties  $i$  and  $j$  in a negotiation (Harsanyi 1977: 151) are set by the formula

$$r_i = \frac{U_i(A_j) - U_i(A_i)}{U_i(A_i) - U_i(C)}$$

where  $U_i(A_j)$  is the utility attached by player  $i$  to an offer made by player  $j$ , and  $U_i(C)$  is the utility attached to 'conflict', in other words being forced to settle on your opponent's terms.

<sup>45</sup> See the case of Arthur Culpeper, note 12 above, and the testimonies of Barrington Young and James Jackson, Ahmed Iqbal Ullah Resource Centre(2000), case histories 29 and 30.

$$\alpha_i = f(h_i, VSC_i, A_i) \quad (4)$$

where  $h_i$  = 'on-the-job knowledge' available to employee,  $VSC_i$  = vertical social capital available to employee,  $A_i$  = employee's asset holdings.

As argued above, Moss Side West Indians could also earn non-wage income by establishing businesses, and this also could be used as a weapon with which to fight discrimination in the wage-labour market.

But self-employment requires capital, which is absent from the subsistence sector in the Lewis model. Capital may be hard to accumulate because of imperfections in the capital market; but as we discovered these too can be got round by means of informal institutions such as the *pardner*, or *susu*, system:

$$Y = w^* + s(A_i, r) \quad (5)$$

where  $w^*$  is the equilibrium real wage,  $s$  is income from self-employment, and  $r$  is membership of informal rotating savings and credit associations such as the *pardner* system.

Substituting for discrimination,  $\alpha$ , from (4) into (3b), substituting (3a) and (3b) into (2) and finally substituting for wage income ( $w^*$ ) and nonwage income ( $S$ ) from (1) and (2) into (5) yields the following composite equation for income:

$$Y_i = f(A_i, h_i, VSC_i, w_s) \quad (6)$$

We wish to understand the distinctive contribution of Arthur Lewis' South Hulme and Community House centres, which, we have suggested, involved a distinctive combination of applied knowledge ( $h$ ) and vertical social capital ( $VSC$ ). Therefore, in our empirical estimation, we identify this institution, keyed by the acronym under which it still operates, WISSC (West Indian Sports and Social Centre), as a separate independent variable within (6). In this estimation we also incorporate in the income equation, as control variables, level of formal education, and also demographic and health shocks, as well-attested influences on individual income dynamics (see Kemp et al. (2004)):

$$Y_i = f(A_i, e_i, VSC_i, WISSC_i, H, D, w_s) \quad (7)$$

It is not suitable to estimate (7) as a single equation by ordinary least squares because assets,  $A_i$ , are endogenous to income. Further, membership of WISSC, the key policy variable for whose influence we wish to test, is, as noted above, likely subject to 'sample selection bias'. Hence we need an instrument for this. We nominate *ethnicity within the Afro-Caribbean community*: whether a respondent is African (which we coded 3), Jamaican (coded 2) or other West Indian (coded 1). On verbal testimony, this characteristic is independent of, and therefore exogenous to, current income within the black community and throughout Manchester but has an influence on initial capital and thence on eventual income<sup>46</sup>. The evidence of the first-stage regression (with an F-value of 18) bears out this hypothesis, suggesting that it can be treated as a valid instrument for black income<sup>47</sup>, and we use it in that role in estimating the impact of the evening centre, WISSC. Incorporating these considerations gives us a three-equation system. The income equation is (7); assets are modelled as:

$$A_i = f(Y_i, r) \quad (8)$$

where  $r$ , as above, is a dummy variable denoting membership of a rotating savings and credit association; and membership of WISSC is endogenous to pre-arrival level of income,  $w_s$ , and ethnicity,  $E$ :

<sup>46</sup> See evidence by Aston Gore to Ahmed Iqbal Ullah Resource Centre(2000).

<sup>47</sup> The first-stage regression was: membership of WISSC = -0.001 + 0.18\*\*\*(ethnicity),  $r^2 = 0.03$ , F-stat=18.39, (0.02) (41.29)

number of observations=539.

$$\text{WISSC} = f(w_s, E)$$

(9)

Equations (7) (8) and (9) are estimated as a simultaneous system by three-stage least squares against the Manchester dataset contained in the appendix of Mosley and Ingham(2012). The results, treating total earnings ( $Y_i$ ) as the dependent variable, are presented in Table 2. Membership of the WISSC family of organizations, the South Hulme centre, the Community House centre and the West Indian Sports and Social Club, is significantly associated with total earnings, holding constant assets and other vertical social capital, which are also significant influences on total earnings. The partner system significantly influences households' ability to accumulate capital, and ethnicity, as well as initial income, influences the likelihood of membership of WISSC. The Hansen-Sargan test statistic suggests that the system of equations is well-identified.

**Table 2. Black income and assets regressions**

**Estimation method: 3SLS**

<b>Dependent variable and equation no.</b>	<b>(7)Total household income(<math>Y_i</math>)</b>	<b>(8)Total household assets(<math>A_i</math>)</b>	<b>(9)Membership of WISSC(wissc)</b>
<b>Regression coefficients on independent variables:</b>			
Constant	6.42*** (9.19)	-232.14** (2.27)	-0.43*** (5.27)
Membership of WISSC(wissc)	3.23** (2.18)		
'Other bridging social capital'(VSC <sub>i</sub> )	2.22*** (3.23)		
Total household assets( $A_i$ )	0.011*** (4.78)		
Total household income( $Y_i$ )		46.44** (2.52)	
Membership of 'partner system'(r)		101.24* (1.68)	
Initial (i.e. pre-arrival in UK) income level( $w_s$ )			0.20*** (11.77)
Ethnicity dummy(E)			-0.05* (1.83)
<b>Number of observations</b>	460	460	460
<b>'R'<sup>2</sup></b>	0.0822	0.2776	0.2517
<b>Chi-square statistic (and t-value) for Sargan-Hansen overidentification test</b>	0.0015 (0.96)	0.2604 (0.61)	0.1970 (0.65)

Source: from interviews conducted on 49 Afro-Caribbean households in and near Moss Side by Ahmed Iqbal Ullah Research Centre (1983, 2000) and by present author (2012). Data cover the years 1951 to 1964 and the full data set is at [www.poverty.group.shef.ac.uk](http://www.poverty.group.shef.ac.uk). Numbers in brackets below coefficients are Student's t-statistics; \*\*\*, \*\* and \* denote significance at the 1%, 5% and 10% level respectively.

Encouraging as these results are it is desirable to test them for robustness in relation to alternative specifications; we also wish to examine whether our hypothesis on the drivers of Afro-Caribbean income (Y) holds up in relation to a broader definition of well-being, and in particular to see whether the story presented here can speak to the problem of the 'poverty trap' which Lewis initially confronted in the West Indies before seeking to do so in Manchester.

We now therefore, as the dependent variable in (7), use the 'poverty gap', or the amount by which (equivalised) household income fell below the national assistance scale 'poverty standard' of £3.84 per week for a married couple in 1953/4, rising to £5.07 per week in 1963 (Fiegehen et al. 1977:27). This varies not only

according to the influences reported in table 2, but also in response to a health dummy variable which takes the value 0 if and only if there is a spell of ill-health causing inability to work for most of the year. Lewis' remarkable first publication, *Labour in the West Indies* ( Lewis 1939), written at the age of 24, sketches out what may be the first model of the vicious circle of poverty, operating through from poor nutrition and housing, to ill-health, to low productivity, to low income, and thence to low expenditure on public services (in particular health, education and housing) which then aggravate the initial conditions of poor health and low productivity<sup>48</sup>. In the spirit of this formulation, we now let ill-health be itself endogenous to income and age (equation (7a)). Demographic and age dummies and data on educational level are added to the right-hand side of (7) as additional controls. The predictive equations for assets and membership of the West Indian Social Centre ((8) and (9)) are unaltered from Table 2.

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<sup>48</sup> See Lewis(1939), especially pages 8-9.

**Table 3. Black income and assets regressions, incorporating the ‘vicious circle of poverty’ (Estimation method: 3SLS)**

Dependent variable and equation no.	(7)Poverty gap (alternative measure of $Y_i$ )	(7a) Health shock dummy(H)	(8)Total household assets( $A_i$ )	(9)Membership of WISSC(wissc)
<b>Regression coefficients on independent variables:</b>				
Constant	3.13*** (4.39)	0.14* (1.64)	-109.9*** (4.99)	-0.23 (1.26)
Membership of WISSC(wissc)	4.02*** (3.46)			
‘Other bridging social capital’(VSC <sub>i</sub> )	0.20 (0.52)			
Total household assets( $A_i$ )	0.0059* (1.87)			
Total household income( $Y_i$ )		0.004 (0.95)	23.1*** (9.21)	
Membership of ‘pardner system’(r)			175.3*** (6.13)	
Initial (i.e. pre-arrival in UK) income level( $w_s$ )				0.16*** (6.12)
Ethnicity dummy(E)				0.30 (0.30)
Health shock(H)	-3.69*** (3.00)			
Demographic shock(D)	0.22 (0.41)			
Educational level	0.065 (0.30)			
Age		0.02*** (5.63)		
Number of observations	194	194	194	194
‘R <sup>2</sup> ’	0.36	0.23	0.65	0.19
Chi-square statistic (and t-value) for Sargan-Hansen overidentification test	2.60(0.1066)	3.38(0.0656)	3.55(0.0593)	2.52(0.0926)

*Source:* from interviews conducted on 49 Afro-Caribbean households in and near Moss Side by Ahmed Iqbal Ullah Research Centre (1983, 2000) and by present authors (2012). Data cover the years 1951 to 1964, are summarized in the Appendix and the full data set is at [www.poverty.group.shef.ac.uk](http://www.poverty.group.shef.ac.uk). Numbers in brackets below coefficients are Student’s t-statistics; \*\*\*, \*\* and \* denote significance at the 1%, 5% and 10% level respectively.

Membership of WISSC continues to be a significant positive influence on poverty, as it was on income; but the health dummy, treated as endogenous as in Lewis’ vicious circle model, is also a significant influence. Once again, none of the equations is over-identified. The idea that WISSC has made a difference receives more robust support from this formulation.

## 5. Concluding remarks

Thus an upward shift in the supply curve, and an increase in the real earnings, of Afro-Caribbean skilled labour through applied education mixed with vertical social capital - the strategy that Lewis wanted, and the strategy that had enabled Lewis himself to break through the colour bar – was eventually achieved in Manchester

by the voluntary rather than the state sector, as has also occurred in many of the poorest parts of the developing world. Analytically, Lewis' innovation builds on his realisation that Moss Side, like many another inner-city ghetto, was itself part of a dual economy, separated by many invisible barriers from Manchester's 'modern sector'. It also develops a model of how to build social cohesion through 'adult education plus' beyond the point which it has reached in many if not all UK inner cities even today, sixty years after Lewis. But even more fascinatingly, it also shows Lewis not just as a scholar and writer but as a man of action, - which he often denied even attempting to be - attempting to shift with his own hands the institutional barriers which prevented the city's Afro-Caribbeans from getting a fair deal. As a man of action, however, he was to encounter many more reverses than as a scholar. After the high point of end-1953, we can observe Lewis putting progressively more weight on the scholarly, by contrast with the practitioner, role; accepting fewer consultancies, writing less to the newspapers, and certainly never again canvassing on doorsteps as he did in Moss Side. By the early 1960s, Lewis had given up trying to 'make a difference' at the level of practical action, and had reverted to being a full-time intellectual (Ingham and Mosley, 2013: especially chapter 6).

The model of the 'vicious circle of poverty' which Lewis sketched out in *Labour in the West Indies*, although a depiction of cumulative descent into poverty, is not deterministic in tone: it warns, rather, against the dangers of determinism. Lewis' exposition of the vicious circle ends with the words 'But there is no vicious circle for men of determination' (Lewis 1939: 9 ). The South Hulme and Community House centres represent one of Lewis' main attempts as a 'man of determination', and his only attempt in the context of an industrialized country, to put his ideas about how to achieve escape from poverty into practice.

We have found that the West Indian population of Moss Side in the 1950s, low though their incomes were in relation to the general population and severe as was the discrimination which they experienced, can in no sense be represented wholly, or even mainly, as a subsistence sector in Lewis' dual economy or, in the phrase much used in Britain and America in the 1970s and 80s, as an 'underclass' (Murray, 1990). However, a part of the West Indian population can: namely those who did not manage to accumulate capital. This group (table 1 above) exhibits on average the static real wages of the Lewis model, as in many labour-surplus developing countries; and there were, as we have seen, cases of descent below this level into destitution.

A majority of Moss Side West Indians, certainly within our sample, escaped from this predicament, in this sense of being able to accumulate capital. Our ability to analyse the process by which this escape occurred is, as we have emphasized, limited; but on that evidence (tables 2 and 3), Lewis' institutional innovations, the South Hulme and Community House Evening centres, made a positive contribution to this process, and did so by intuitively realizing the importance of a factor of production which at that time had yet to be formally identified - and which we have labelled 'vertical social capital'. They realized that, in the discriminatory environment which many Moss Side West Indians faced, it was the combination of conventional further education with this factor, and not education alone, which was going to make the difference.

The importance of vertical or, as it has sometimes been called, bridging social capital extends beyond mere economics into social order, a problem with which Lewis did not have to contend but which since the 1990s has evolved into one of the pre-eminent problems of development. Moss Side was peaceful in Lewis' time, but it was not during the recession of 1981, by which time unemployment in Manchester and elsewhere had more than trebled from its 1950s level. In the wake of the riots in Moss Side in 1981, in Lozells (Birmingham) in 2001 and more recently in Tottenham, as well as Birmingham and Manchester, in 2011, not to mention cities in other industrialized and developing countries from Cairo to Detroit, cries have gone up for research into the determinants of community cohesion. Nearly sixty years after Lewis' pioneering initiative, a Rowntree Foundation study of social cohesion, some of whose field research was done in Moss Side, used the new social capital language to make precisely the same diagnosis as Lewis:

Policy-makers often speak of the need to develop 'social capital' in communities, on the assumption that community ties are weak. But many communities do have these bonding ties already. What they lack is the

'bridging' social capital ties across social groups/communities, both within a neighbourhood and between neighbourhoods<sup>49</sup>.

'Bridging' (or vertical) social capital' is precisely what Lewis' evening centre, with its emphasis on advice and building key contacts complementary with its educational and social bonding functions, was seeking to provide in 1953. It is Lewis' awareness of the importance of this factor which, alongside his awareness of the centrality of training and experimentation<sup>50</sup>, constitutes the distinctive element in his approach to institution-building in development.

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<sup>49</sup> M. Taylor, M. Wilson, D. Purdue and P. Wilde(2007) *Changing neighbourhoods: the impact of 'light touch' support in 20 communities*, York: Joseph Rowntree Foundation, page 7. At [http:// www. jrf.org.uk](http://www.jrf.org.uk)

<sup>50</sup> When asked this question (or more precisely the question 'How do you feel the Sports and Social are standing in the community?'), Aston Gore, the warden of the West Indian Sports and Social Centre, put the same emphasis as Lewis on experimentation. When asked the same question as we have tried to answer (what difference did the Evening Centres make?) he replied: 'Say we make a lot of mistakes. We do things contrary to public opinion but as long as somebody going to [derive] some benefit from it... At the moment, I think this year we managed to get 80 youngsters into colleges, full time college that wouldn't, I would say fifty per cent of them didn't have an idea that they could do something. But we take them to one side, we sit down, we chat to them (Ahmed Iqbal Ullah Centre (2000), transcript of interview with Aston Gore. Case Study 34 in Appendix to Mosley and Ingham (2012).

Qualitative evidence such as this supports our empirical findings (Tables 2 and 3 above) suggesting that the Lewis centres had a positive impact in the 1950s.

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