Collage of items about and by Stephen R. Lewis, Jr., who speaks at UCR

December 4 2009

Biography

Stephen R. Lewis, Jr. is President Emeritus and Professor of Economics Emeritus at Carleton College, where he served as president from 1987 to 2002. He began senior administrative experience at Williams College, where he twice served as Provost of the College (1968-71 and 1973-77). In January 2007 he was elected Chairman of the Boards of RiverSource Funds, the Minneapolis-based mutual fund group, formerly IDS Funds.

An economist with a specialty in developing countries, Lewis received his BA, Phi Beta Kappa, from Williams in 1960, and his PhD in Economics from Stanford in 1963. He taught Economics at Stanford (1962-63), Harvard (1965-66), the University of Nairobi (1971-72) and Williams (1966-87), where he held the Herbert H. Lehman Professorship.


As a result of his work in Southern Africa, Lewis was asked by the Council on Foreign Relations to analyze the South African economy, which resulting in his 1990 book The Economics of Apartheid. His work on fiscal issues in developing countries resulted in several articles and a textbook, Taxation for Development (1984).

Lewis is a member of the Council on Foreign Relations and the Dean’s Advisory Council of the Hubert H. Humphrey Institute of Public Affairs, a trustee of William Mitchell College of Law, and Vice Chairman of the Board of Trustees of the Carnegie Endowment for International Peace. He is a Director of RiverSource Funds and Valmont Industries, Inc. and a consultant to The Presidential Practice, which provides counsel to newly elected college presidents. He has received honorary degrees from Williams, Carleton, Macalester College, Doshisha University in Kyoto, Japan, and Lingnan University in Hong Kong.
In 1996 Lewis married the former Judith Frost Flinn. They each have three grown children and several grandchildren.

Carleton President Emeritus Lewis to Speak About Former President of Botswana

April 13, 2007

Images

Ketumile Masire, President of the Republic of Botswana (1980-1998)

Stephen R. Lewis

Carleton College President Emeritus and professor of economics Stephen R. Lewis Jr. will appear Wednesday, April 18 at 4:30 p.m. in Carleton’s Gould Library Athenaeum. Lewis will discuss the memoirs of former president of Botswana Quett Ketumile Joni Masire, titled “Very Brave or Very Foolish? Memoirs of an African Democrat” and edited by Lewis. The talk, which will be followed by a booksigning and reception, is free and open to the public.

Lewis and Masire have been friends and colleagues for over 30 years. At a banquet in honor of Masire’s retirement in 1998, Lewis asked him if he was planning to write his memoirs. “He said ‘I will if you help me,’” Lewis recalled. “I readily agreed.”

“Very Brave or Very Foolish? Memoirs of an African Democrat” (MacMillan, 2006) chronicles the evolution of Botswana’s uniquely successful political and economic development. Despite the desperate economic and geopolitical conditions faced by Botswana when it gained independence in 1966, the country has since enjoyed unparalleled economic and political
success. Botswana has held multiparty elections every five years, achieved one of the highest rates of economic growth in the world over the past 40 years, and is judged the least corrupt country in Africa. “In the book president Masire has laid out in some detail how and why he and his colleagues in government made the choices, both economic and political, that they did,” said Lewis. “In that sense it is a handbook on how to build a successful democracy and a successful economy.”

In 1962, Masire founded the Botswana Democratic Party and later served as Botswana’s vice president and minister of finance from 1966 until 1980 and then as the president of Botswana from 1980 until 1998. An economist with a specialty in developing economies, Lewis began his long association with Botswana and Masire in 1975, when he was hired to serve as economic consultant to the ministry of finance and development planning for the government of Botswana, a position he held until 1988. During that time, Lewis traveled extensively back and forth between the United States and Botswana.

In 1983, Lewis was awarded the Presidential Order of Meritorious Service by the Botswana government. President Masire visited Lewis and Carleton College in 1992, 1996 (when Masire was awarded an Honorary Doctor of Laws Degree from Carleton), and 2005. Lewis served as president of Carleton College from 1987 to 2002 and was elected chairman of the board of RiverSource Funds, the Minneapolis-based mutual fund group, in January 2007.

Copies of “Very Brave or Very Foolish? Memories of an African Democrat” are available for purchase at a 15 percent discount at the Carleton bookstore and will also be sold at the event. For more information, contact the Carleton bookstore at (507) 646-4153 or the Gould Library Athenaeum at (507) 646-4260.

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rom: Fred Harrison [metaman@talktalk.net]

Sent: Saturday, April 25, 2009 7:44 AM

To: Mason Gaffney

Subject: Re: Next fall?

Mase,

The DeBeers monopolistic influence on the diamond market is one issue; Stephen Lewis should be encouraged to complete the paper to which he refers (below). If he does, I would love to see his data.
There is no doubt that the Botswana government now needs to move into urban land rent taxation; if it is to collect the benefits of its initial policy decisions, and thrust the economy forward. Otherwise, as you imply, the nation could become dependents on rents - i.e., live like the aristocracy.

UNICEF’s senior economist worked in Botswana for many years, and was married to a Botswana lady. He has emphasised the need for that country to now move fiscal and development policy forward, in the way that you and I would recognise as sensible.

So, yes, one has to admire the initial decisions taken by the Botswana government; but critically extrapolate the consequences of resting on their laurels.

re De Beers: in my forthcoming book on systemic violence I include a short piece on that company’s diamond rents, 1892-1899, extracted out of the Kimberley mine; and the tragic consequences that followed the need for the British to consolidate territorial control over the region, the better to continue extracting those rents (the Boer War).

Fred (Harrison)

As for DeBeers, just this week (4-09) it closed down many mines, e.g. in Botswana, disemploying thousands of miners, hundreds of thousands of diamond cutters in India, wholesalers in Antwerp, and retailers worldwide. The cartel upholds the price of ALL diamonds, including industrial diamonds. The demand for the latter is not a product of advertising; controlling the supply from the mines is the key to price maintenance.

> The government of Botswana is complicit, having partnered with DeBeers. The resulting monopoly rents are thus used, in part, for the benefit of all the people of Botswana, as Fred Harrison stresses in "The Silver Bullet". There are, however, very few Botswanians compared with their victims worldwide.

> An interesting sidelight is that a one-time RSF grantee, Stephen R. Lewis, Jr., served as adviser to the Government of Botswana. Lewis was a Prof. at Williams, and edited a book on LVT under the grant. He also published a book on taxation and economic development, in which he writes favorably of LVT.
He went on to become President of Carleton College, and is now retired, living in St. Paul. He has plenty of stories to tell about his negotiating with the DeBeers people on behalf of Botswana. I am hoping that the newly appointed Editor of the Am J of Ecs and Soc, Fred Lee, will extract a few articles from Lewis about that experience and its lessons.

> Mason Gaffney

> -----Original Message-----
> From: Michael Hudson [mailto:michael_hudson@us.ibm.com]
> Subject: Re: intangible capital goods
>
> A theoretical test case would be DeBeers.
> Advertising creates a demand for diamonds that actually are not very rare at all. But people "think" that they get the "pleasure" reflecting what they pay. So paying a huge monopoly-rent for advertising (not to mention the DeBeers illegal diamond trust controlling the trade) "gives psychic pleasure."
> Stupid, but there it is.
> Any thoughts?
> Michael (Hudson)

From: "mason gaffney" <m.gaffney@dslextreme.com>
To: "lewis" <s.r.lewis.jr@comcast.net>
Cc: "Harrison" <metaman@talktalk.net>
Sent: Sunday, July 12, 2009 2:28:05 PM GMT -06:00 US/Canada Central
Subject: FW: intangible capital goods

Steve and Fred,

By coincidence, while cleaning up back emails, I ran across this about elephants in Botswana. Please overlook Harry's overboard libertarian bias and advise me if he has his facts right?

Thanks,

Mason

(Snip)

Botswana instituted an excellent free-market policy for saving their
elephant herds. They gave property rights to the natives who could sell shooting rights to hunters. The natives no longer had a reason for supporting the poachers. To protect their property, they had every reason for pointing the hunters towards old and sick elephants - a worthwhile culling

The ivory was sold to provide funds for the upkeep of the forests (elephants are very hard on unprotected trees).

While state-run elephant preservation in Kenya has practically wiped out their enormous herds (not to mention killing lots of natives), Botswana's elephant population rose by about 5% a year.

Then the "environmentalists" passed a world order against the export of ivory and Botswana lost the revenue that enabled the protection of their forests.

Harry

rom: s.r.lewis.jr@comcast.net [mailto:s.r.lewis.jr@comcast.net]
Sent: Monday, July 13, 2009 6:46 AM
To: mason gaffney
Cc: Harrison
Subject: Re: intangible capital goods

Mason--

Unfortunately, Botswana has an overpopulation of elephants in the extreme. Elephants have a wide range, and in mosts of the country are heavily protected and, unlike Kenya, effectively so. In my most recent trip to the north several local concession owners told me that the extent of overpopulation (they eat constantly) is such that there is no rational solution to the problem. If culled to sustainable levels, there is not enough transport to get the carcasses out of the country (or out of the area); if left, it would turn all the carnivores into scavengers instead of predators; and the stench would be take care of the tourist trade for a considerable time. As for moving them to re-populate other countries, again transport would be impossible. So, interesting propositionput forth below, but, I think, not in contact with the facts on the ground.
Steve

As for DeBeers, just this week it closed down many mines, e.g. in Botswana, disemploying thousands of miners, hundreds of thousands of diamond cutters in India, wholesalers in Antwerp, and retailers worldwide. The cartel upholds the price of ALL diamonds, including industrial diamonds. The demand for the latter is not a product of advertising; controlling the supply from the mines is the key to price maintenance.

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-----Original Message-----
From: Michael Hudson [mailto:michael.hudson@earthlink.net]
Sent: Friday, April 24, 2009 11:51 AM
Subject: Re: intangible capital goods

A theoretical test case would be DeBeers. Advertising creates a demand for diamonds that actually are not very rare at all. But people "think" that they get the "pleasure" reflecting what they pay. So paying a huge monopoly-rent for advertising (not to mention the DeBeers illegal diamond trust controlling the trade) "gives psychic pleasure."
Stupid, but there it is.
Any thoughts?
Michael

> It seems to me that the value created by advertising is a gain to the firm at the expense of other firms, rather than a net increase of social capital.
>> That is an important difference, I should think.
> Mason Gaffney <
>
*********************************************************
From: s.r.lewis.jr@comcast.net [mailto:s.r.lewis.jr@comcast.net]
Sent: Saturday, April 25, 2009 9:35 AM
To: Mason Gaffney
Subject: Re: Botswana

Mason--

Botswana managed to avoid the worst of the Dutch Disease for the first 25 years, or more, after they started large-scale mining. How and why is the story I like to tell. Smart leadership, smart policies, political buy-in from unions and civil servants, etc. Title of the talk: "Why Botswana is Africa's Ace of Diamonds."

Steve

Stephen R. Lewis, Jr.
901 Marquette Avenue, South
Suite 2810
Minneapolis, MN 55402
612-330-9287
slewis@carleton.edu
Steve,

My correspondent Fred Harrison recently published “The Silver Bullet” in which he touts Botswana as a kind of Georgist paradise, a model of economic development. I wonder if he got carried away by a few factoids?

Mason

Fred,

Before turning our eyes to Botswana as the avatar of applied Georgism, better look into the de Beers connection.

A frequent pattern in nations blessed with major mineral or hydrocarbon endowments is to depend on them for revenues in lieu of taxing ordinary land values. An aspect of “the Dutch Disease”. Could this be the case with Botswana?

Mase
To: Mason Gaffney  
Subject: Re: Next fall?

Mason--

As you may know, I started working in Botswana in 1975 when they were still a minor producer; that changed dramatically by the early 1980s. Because I sat across the table from DeBeers for many years and I guess they regarded me as a worthy adversary, they lent me the DeBeers annual reports back into the 1930s, and about 25 years ago I drafted a piece that I titled "What Makes A Diamond Forever?" (the answer to which, of course, is DeBeers). Their control over the market had diminished considerably since the mid-1980s, for a variety of reasons, and I'm not current on the details of their sales agreements with major supplier of rough diamonds. But for at least 50 years they were the most successful cartel in history. The controlled or partly owned much of the world's production capacity directly, and had sales agreements with most of the other major suppliers, but in addition were active in the markets for rough stones in places like Congo, where they bought on the open market in order to keep the inventory under their control. One can trace the market by looking at DeBeers' diamond stocks, DeBeers cash, production in DeBeers mines, and announced price increases. It all graphs nicely, too. I never go around to tidying that paper up for publication. Pity.

Re: DeBeers and Botswana Government, they are co-dependent--Botswana the largest supplier, DeBeers the largest investor in Botswana, Diamonds the largest export and source of government revenue. Since 1975 the mining company, Debswana, has been owned 50-50 by DeBeers and the Government, so they have to agree on everything. (Consequently, life is one continual negotiation.) In terms of actions to stabilize the market, their interests are even more closely aligned than they were when DeBeers' Central Selling Organization controlled 85% of the market (my sense is that now they're close to 60%), since there are now more free riders on the actions of the market leaders.

Steve

Stephen R. Lewis, Jr.

From: Fred Harrison [metaman@talktalk.net]

Sent: Monday, April 27, 2009 1:31 AM
Mase,

The UK suffered from this “disease”, too, thanks to Thatcher.

Botswana was shrewd, putting a big chunk of the diamond rents into the Pula Fund, invested for the future. Ditto Norway, which now has a fabulous fund out of North Sea oil rents. But when those oil rents came on top for the UK, Thatcher devoted it all to current government spending, and reducing taxes. Sterling rose in value, too, but that didn't hurt exports much, because Thatcher simultaneously throttled the industrial sector! Now, manufacturing contributes just 12% to national income.

If Stephen Lewis comes up with a paper, or Notes, on Botswana, I'd love a copy.

Fred

Dear Steve,

Several questions come to mind that are not covered in your most impressive but somewhat “officialized” bio – items of human interest, items that interest me in particular, items about diamonds. I’ll just tick them off as they stream into my consciousness. You can’t cover them all, I know!

1. Your youth; sources of your interest in economics

2. Famous economists from Carleton: Veblen; Clark; others? Carleton’s effect on them, and vice versa.

3. Culture shock, from Williamstown to Northfield. (BTW, a point of info, the same John W. North who founded Northfield also founded Riverside, CA.)

4. *Henry George and Contemporary Economic Problems*, a book you edited at Williams, with some emphasis on Jamaica
5. *Taxation and Economic Development*, a book you published after helping to reform Botswana. What are its 3 most important findings? Or just one, if you prefer.

6. The De Beers cartel: is Botswana complicit?

7. Future price of diamonds: will the cartel break? (Students contemplating engagements have more than an academic interest.)

8. The Dutch disease: is Botswana a likely victim?

9. Your thoughts on the evolution (or devolution?) of academic economics in recent decades.

10. Why Botswana succeeded where so many other nations failed

11. Why the U.S. and world economies crashed, and how to recover.

Whatever you cover, I know it will be fascinating.

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**Faculty Bibliography**

**STEPHEN R. LEWIS, JR. — Economics & President Emeritus**

**Articles**


"Cheers for 'Jack Sawyer's U'," *Chronicle of Higher Education*, May 12, 2006


"Domestic Saving and Foreign Assistance when Foreign Exchange is Undervalued." Research Memorandum No. 34, Williams College, November 1969.


Books


Op-Ed


Reviews

*American Economic Review; Journal of Economic Literature.*

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