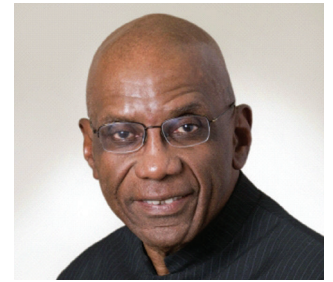


The Future of the Barbadian Economy



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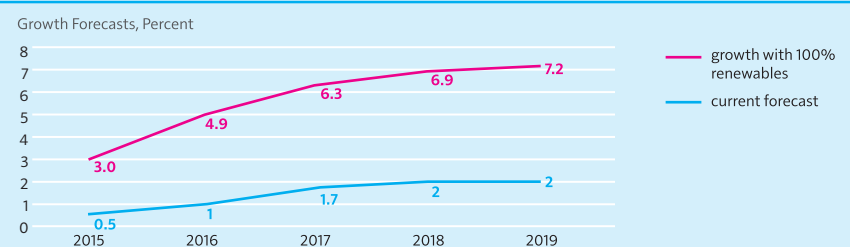
As we begin our 50th year of Independence, we should remind ourselves that Independence means that the future of Barbados is firmly in the hands of Barbadians. That future is exceptionally promising, but it will not happen unless we make it happen, and like all worthwhile objectives, realising the vision will not be painless. The first task is to build our capacity to devise and implement strategies that answer to our circumstances, that situate us to take advantage of opportunities as they arise, to avoid the pitfalls that we encounter and to be flexible in execution, learning as we go — what works and should be supported, and what does not work and needs to be tackled differently. The economic policy challenge is more difficult than it needs to be because so much of the neo-classical orthodoxy that informs the advice we receive from international institutions is known to be defective. Fortunately, there are alternative theories of how economies work, and at the Central Bank of Barbados we have developed a practical policy model and suitable policy tools to be used to protect the value of the Barbados dollar. We are able to tighten fiscal policy when necessary to reduce aggregate demand and balance the demand for imports and the foreign exchange inflows from tourism, other services, exports and foreign borrowings. In that way, we avoid depletion of the Central Bank's store of foreign reserves, and ensure that there is always enough to meet the day-to-day and week-to-week fluctuations in demand and supply.

The Barbadian growth strategy is realistic and achievable, focusing as it does on tourism, international business and competitive exports, mainly rum and chemical products for household use. Exhortations to diversify the export product mix beyond these possibilities have little or no chance of being realised. Renewable energy is the single economic sector of any importance where significant import substitution is achievable. Setting and attaining a target of supplying 100% of the country's requirements will be difficult to do, but it is entirely feasible, and it is the fastest way to ramp up the rate of growth of the economy. It is not possible to attain food security by growing our own food; most of what we eat are temperate products that we cannot produce, and most of what we can produce can be imported at more affordable prices from large farming countries which have the advantage of economies of scale. Another common fallacy is the notion that Government can grow the economy through expanding the public sector and creating more jobs. This ignores the fact that Government employment does not generate any foreign currency; the Barbados dollars the newly-hired workers earn go towards increasing total spending in the economy, which means that supermarkets must import more food, dealers must import more LPG, hairdressers must import more supplies

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and more people will be flying to New York to pack their Christmas barrels. When commercial banks start buying US dollars from the Central Bank to accommodate this extra demand, the newly-hired workers will have to be severed to reverse the extra Government spending and arrest the fall in foreign reserves.

Dream Scenario: no fuel imports



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Barbadians may be confident in our future because our development strategy is founded on policies that have been successful until now, based on the Barbados brand and the sources of competitiveness that we have established and maintained over many years. We do need to remove the obstacles to growth, and there will be dislocations in the transition to a higher growth path, which must be managed in a sympathetic way. In going forward, we should remind ourselves of the many examples of excellence of which Barbados can boast — world renowned hotels and restaurants, outstanding heritage properties, exceptionally talented singers, musicians, writers and artists, highly ranked research institutions such as the Chronic Disease Research Centre, internationally renowned academics and professionals, home grown international conglomerate firms and many more. The exceptional achievements to date give us energy to tackle the difficult tasks ahead.

The biggest of those tasks, and the one where we have found little traction to date, is in the reform of the public service. Examples of public sector inefficiency are by now universal among the Barbadian population, and this is now the largest blot on the country's competitiveness scorecard. The Barbadian economy is forecast to grow with current policies and the current bureaucratic performance, but growth is expected to be anaemic; well below the potential that is within reach. Raising public sector efficiencies will make all the difference.

Every Barbadian of working age has a role to play in securing our country's future. By each of us setting a demanding standard of performance in our life and work, and committing ourselves fully to achieving or exceeding that standard, we will ensure that we have personally made our contribution to the enhancement of national productivity, and helped to fortify the market strength of the Barbadian brand. That is the surest way to make our country an even more formidable competitor in every international activity in which we are engaged, and thereby ensure the future prosperity of our country and of all Barbadians.



Church Village Green



Musician - Arturo Tappin



The Exchange Museum in Bridgetown