



# Marketing My New Book, Ongoing Research and Commentary Highlights of my work in 2023

My new book [\*Development and Stabilization in Small Open Economies\*](#) was published by Routledge in London and New York on January 5. Over the previous two years I distilled everything I have learned in more than fifty years of working as an economist and policy maker, and applied the insights to 41 small economies from around the world. The star performers, in terms of the quality of life people enjoy, and the improvements in lifestyles and livelihoods over the past 30 years, turn out to be Iceland, with a population of about 300,000 and Mauritius, with 1.3 million people. In both countries tourism is the principal source of foreign exchange; perhaps the sector does provide a sound platform for development after all.

My book opens with a news story from the Barbados *Sunday Sun* of October 28, 2012 reporting on an animated discussion in Tokyo between myself and Christine Lagarde, then Managing Director of the International Monetary Fund, on the subject of exchange rate devaluation, among the most hotly contested topics in economics. I explain why there might have been a difference in perception between Madame Lagarde and myself, based on the differences in our experiences in France and the Caribbean. I use the exchange rate to illustrate a fundamental difference between large and small economies in the way they react to economic policy changes.

The topics covered in the book include prices, interest rates, debt, taxes, government efficiency, banking and finance, savings and investment, foreign reserves and every other aspect of economic policy and performance. The overall theme is the difference that small size makes, and the main point is that small size is not barrier to great economic success; however, success will be elusive if small economies employ the tools of economic policy making in the same way that large countries do. *Development and Stabilization* draws on [my experience](#) in economic research and policy making in countries on every continent except South America, during a career that took me to the IMF, the Central Bank of Barbados and the University of the West Indies, with time spent at research Institutes at Princeton and Yale Universities and think tanks elsewhere in the US and the Caribbean.

My book was launched at a [webinar](#) hosted by the University of Malta on March 9, 2023, and discussions on its contents have been hosted by the Interamerican Dialogue (June 22, 2023), the Central Bank of Barbados on July 28, 2023, UWItv and the Caribbean Progress Studies Institute. Reviews of the book have appeared in [Finance and Development](#), published by the IMF and World Bank (June 2023) and [Global Americans](#) (June 14, 2023). Previews may be found at [Google Books](#), [Amazon Books](#) and at [Routledge](#), where review e-copies and e-copies for instructors are also available. There is a synopsis of the book on [my website](#).

### *Monthly Economic Letters*

My [January](#) letter explained that, contrary to popular notions, all the foreign currency that is earned or borrowed by a small economy is spent overseas to buy imports or invested with the US Federal Reserve to build reserves. Foreign currency which is hoarded domestically serves no purpose; it should instead be used to buy additional imports for the benefit of the society.

In [February](#) I pointed out that good debt is used to create wealth and productive capacity. No matter how much of a priority it might be, current spending must never be financed with borrowed funds. In December I pointed out that this logic applies to government spending; policy formulation and execution should never be funded by borrowing.

In [March](#) I explained that the market for Caribbean tourism in North America and Europe is infinitely large, compared with the hotel capacity in the Caribbean, and that growth depends on new capacity and the quality of tourist experiences on offer.

In [April](#) I pointed to the distinguishing feature of a small economy: the volume of economic activity depends on the inflow of foreign currency, because all domestic activity uses imports. In [June](#) I gave the example of the construction industry, which cannot be used to jump-start a small economy unless it is financed from abroad.

[May's](#) letter touches on the complexity of pricing, and demonstrates why governments of small economies cannot control inflation when foreign prices rise.

In [July](#) I offered the Caribbean's cultural industries as an example of success on a global scale. The [August](#) Letter, written at the time of Caricom's 50th birthday, found that Caricom had contributed nothing to the integration of the region's finances and trade. I returned to the topic of integration in [October](#), bemoaning the demise of a regional press.

In [September](#) I argued that investment in health infrastructure strengthens competitiveness and improves national wellbeing, and it should therefore be a priority. In [November](#) I showed that Caribbean countries' announced targets for renewable energy usage are all unrealistic; they need to be revised if they are to be taken seriously.

### *The Bermuda Monetary Authority*

I attended three meetings of the [Bermuda Financial Policy Council](#). At each meeting I presented an update and forecast of the Bermuda economy to the Council. "Established in 2015, the Council advises the Ministry of Finance and the Bermuda Monetary Authority (BMA) on financial system stability in Bermuda. Its purpose is to assess possible threats to Bermuda's financial stability, and to identify policies and actions to mitigate or eliminate such threats.

"It also advises on the development of the financial stability framework in Bermuda, and makes policy recommendations designed to support the general economic and financial well-being of the country."  
(Quoted from the FPC website.)

### *Working papers and research*

In October I submitted a draft chapter “Development performance and economic policy in Guyana, 1990-2021” for *Economic Structure and Change in Post-Independence Guyana*, an open access book edited by Tarron Khemraj, Dianna DaSilva-Glasgow and Desmond Thomas, to be published by the University of Guyana. The chapter evaluates Guyana's economic performance since 1990, using the UNDP's *Human Development Index*. In 1990 Guyana had fallen behind the rest of the Caribbean - Haiti excepted - in the HDI rankings, thanks to two decades of erroneous policies. By that date, however, the last of the controls that had strangled production were being dismantled. In the three decades to 2019, the year when a new era as a petroleum exporter began, Guyana's development performance was among the best in the Caribbean, thanks mainly to investment in gold production in response to rising international gold prices

I also assisted Tracy Polius-Mounsey, Allister Hodge and Patricia Welsh, all of the Eastern Caribbean Central Bank, with the edit of a collected volume of essays, *Transforming the Eastern Caribbean Currency Union*, which is to be published by the ECCB. The countries of the ECCU have achieved a commendable level of development which, though not yet comparable to the quality of life in the world's richest countries, is on par with Brazil, China and most of the rest of the Caribbean. Even though growth rates have slowed in the region since the turn of the 21st century, the ECCU countries had by that time already transformed themselves from agricultural exporters to competitive tourism destinations, along with a few other foreign exchange earning services. Moreover, the region has remained economically stable despite being buffeted by natural disasters and other shocks, with the Eastern Caribbean dollar maintaining its value in terms of the US dollar and the Eastern Caribbean Central Bank increasing its foreign reserve cover continuously over the last three decades.

### *Lectures and presentations*

On February 3, 2023 I made a presentation “A perspective on the prevailing sovereign debt architecture in light of global sustainable development priorities” to the Sixth Annual Debt Restructuring Conference of the Global Interdependence Center, hosted by the Drexel University LeBow School of Business. I argued that priority should be given to concluding debt restructurings swiftly so as to clear paths for the global transfers from rich to poor countries that must take place if the world is to have any chance of reversing global warming and the climatic changes that are an existential threat to the planet. The existing restructuring frameworks are adequate for countries above the median score of the Human Development Index (HDI), but the outstanding debt of countries below the median should be written down by a trust fund financed by donations from rich countries.

On March 1, 2023 I presented the Sir Arthur Lewis Lecture virtually on the topic “Beyond Caricom - Reimagining the Caribbean Nation and Economy”. The lecture was hosted by the Vice Chancellor of the University of the West Indies and the Sir Arthur Lewis Institute. I concluded “We need, as Caribbean people, to celebrate our achievements and successes, and to use them as our guide and inspiration for our future, as individuals, as communities and as one Caribbean Nation. History has burdened us with a plethora of little nationalisms, and there is nothing we can do about that. The people of the Caribbean are obliged to look beyond the boundaries these nations impose, to realise their potential. We should require our governments to encourage and facilitate our movement, regionally and internationally, in every way possible. Our little nations are already being enriched through the many personal and informal networks that bind Caribbean people together, within the region and the diaspora, and our future lies in enabling, widening, deepening and strengthening those networks.”

On November 2, 2023 I presented the paper “Shock absorption, fiscal sustainability and financial stability in small open economies” at the Caribbean Annual Monetary Studies Conference hosted by the Bank of Jamaica. The presentation offered a model of output, prices, public finance and the balance of payments of a small open economy. Output growth depends on the competitiveness of exports of goods and services; domestic prices deviate from international prices to an extent that varies with changes in the exchange rate; and government’s expenditure and financing policies have critical implications for exchange rate stability. The model was used to analyse responses to macroeconomic shocks, the restoration and maintenance of fiscal sustainability, and the assessment and maintenance of financial stability.

At the *Central Banking Magazine* Autumn 2023 Meetings on November 9, 2023 I presented the paper “On the obsolescence of currency” in which I point out that “None of the arguments for maintaining individual currencies stands up to scrutiny, and there are real costs to having an own currency, for all countries other than the US”. Currencies are a legacy of the analogue world which has now been superceded by digital payments for almost all legal payments, except for the poorest in every society.

#### *Commentaries and shorter papers*

Two commentaries of mine were published by the Official Monetary and Financial Institutions Forum (OMFIF). “[Bank of England credibility depends on a framework with the Treasury](#)” was published on July 28, 2023. I argued that contrary to popular notions of central bank independence and monetary targeting of inflation, the most effective way to conduct economic policy is through a coordinated framework. Strategies should be formulated based on data and analysis by a council headed by the minister of finance and including senior [economic policy expertise from the central bank and the Treasury](#). The council’s mandate should include joint formulation of government budgeting, financial and debt strategies, and monetary and exchange rate policies.

In “[Capital adequacy approach to bank soundness is fundamentally flawed,](#)” published on March 29, 2023, I argued that there is a fatal flaw at the heart of approaches to bank soundness which seek to insure against insolvency by requiring banks to hold capital sufficient to provide cover for any risk that the regulator considers possible. Bank capital is the difference between the value of assets and the value of liabilities, both determined in the market. In times of financial crisis, markets often fail and prices fall precipitately. It will not usually be the case that price changes affect both sides of any bank’s balance sheet equally. If the fall in the price of assets reduces their overall value sufficiently relative to its liabilities, the bank faces insolvency, no matter how large its stock of capital might be.

#### *The Association for Barbados-China Friendship*

The association, of which I am the founding President, had an active year, in which we hosted our first live event since the onset of the Covid pandemic in early 2020. It was a luncheon to celebrate the ABCF’s fourth anniversary. The ABCF’s mission is to build a deeper understanding between the Chinese people and Barbadians and Caribbean people from all walks of life. The association’s focus is on personal experiences, people-to-people contact, cultural exchanges and exchanges of ideas, and the facilitation of travel, for pleasures, business and study. We aim to learn from and build on the experiences of the Caribbean and China, and to develop mutual understandings and support that will be to the benefit of both sides.

The association publishes a weekly electronic newsletter and maintains an active [website](#). Our 2023 programme also included two Youth Forums organized jointly by young people from the ABCF and students of the Zhejiang International Studies University in Hangzhou, China. In November we hosted a delegation from the Chinese People's Association for Friendship with Foreign Countries, and we also met with a visiting delegation from the Chinese People's Association for International Understanding.

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