Introduction

Most of the papers presented in this volume were written on the Jamaica campus of the University of the West Indies where I was teaching at the Consortium Graduate School and the Department of Economics from 1989 to 1997. Others were written in Montreal and Trinidad, where I have lived and worked since that time. The papers were mainly delivered at workshops and seminars in Trinidad, where the intellectual climate was more conducive to debate and the Economics Department less dominated by neo-classical doctrine.

My approach to Caribbean economic problems has been historical and institutional. I have attempted to view them in the larger perspective of international political economy. Since my first encounter with the West Indies in 1961, I have been in constant contact with colleagues and students in the region. In 1974, I was visiting professor at the Institute of International Relations in Trinidad and in 1978 I was visiting professor of economics in Jamaica. Extensive experience in statistical requirements of development planning in Canada contributed to my collaboration with Lloyd Best in conceptualising Caribbean economy on its own terms. From 1969 to 1973 I designed a new system of National Economic Accounts for Trinidad and Tobago, as a database for economic planning.

A constant theme has informed my work for the past 30 years although the context has undergone dramatic change. It is my unwavering conviction that development, whether of individuals or nations, must be rooted in time and place, and cannot be imposed by external prescription. For the past 20 years the developing world has been adjusting to the agendas of the IMF and the World Bank. In the 1990s Structural Adjustment Programmes were repackaged and marketed as the coming of a golden age of globalisation, promising benefits to countries that adopted neo-liberal policies.

Whether by conviction or the apparent absence of viable alternatives, Caribbean governments have implemented policies of deregulation, liberalisation and privatisation. However, it is my considered opinion — expressed on several occasions throughout the region — that Caribbean intellectuals were too quick to embrace globalisation and too ready to concede the end of national sovereignty. Globalisation is nothing new to the Caribbean; the islands and the littoral of the Caribbean Basin were places where British, French, Dutch and other European adventurers, planters and merchants cultivated an export crop with slave-labour transplanted from Africa and indentured Indian workers seeking escape from the poorest regions of the sub-continent. Enormous wealth was extracted from the soil and the toil of generations of Caribbean peoples.

In a paper presented at a conference marking the 50th Anniversary of Dr Williams's *Capitalism and Slavery*, we review globalisation in historical perspective. 'Capitalism and Slavery: Institutional Foundations of Caribbean Economy' traces the legacy of the incorporation of the Caribbean into the world economy as a colony of exploitation, since plantation slavery.

In the early 1990s the engines of world growth stalled. Developing countries were pressed to open their economies to goods, services and investment. Trade openness became a new dogma and success in adjustment to globalisation was measured by an increase in the ratio of trade to GDP. These export-oriented development strategies have resulted in impoverishing competition, as excess supply has produced declining prices in primary commodities and cheap labour manufactures. There is no evidence that trade openness, in and of itself, has generated economic growth. The East Asian countries were successful in the export of manufactures and able to move up the value chain to develop more sophisticated products because they had a coordinated strategy of industrial and agricultural development, including directed credit and controlled access to foreign exchange. Liberalisation conditionalities are extinguishing these options.

It is time to reclaim the right to development and the right of nations to engage in the international economy on their own terms. This implies an international rule-based order, which permits space for member countries to follow different and divergent paths to development, according to their own philosophies, institutions, cultures and societal priorities.

When I was invited by the Central Bank of the Eastern Caribbean to deliver the Sir Arthur Lewis Memorial Lecture in St Lucia in 2000, I recalled Lewis's doubts regarding negotiations to create a New International Economic Order (NIEO). His reflections on his extensive research on the evolution of the International Economic Order and the role of tropical commodity exporting countries led him to conclude that the developing world had all the resources for its own development, and that only self-reliant policies could, in time, produce a more equitable international economic order. In his Nobel Lecture 'Slowing Down the Engines of Growth' he warned that countries dependent on trade are doomed to failure. The key to self-reliant development, he maintained, was the increase in the productivity in domestic food production and investment in technological progress.

My Sir Arthur Lewis Memorial Lecture (2000) 'The Right to Development: The W.A. Lewis Legacy' cites empirical research by Dani Rodrick to show that there is no relationship between growth and openness and that export success of Asian countries was based on high rates of domestic savings and investment rather than Foreign Direct Investment. In concluding passages I suggested a short list of reforms of international economic institutions to create a rule-based system, which permits countries to chart their own way.

Governments cannot achieve this alone. It requires the participation of civil society locally, nationally and globally to subordinate 'economics' driven by the special interests of investors and creditors, to a 'politics' of democratic participation of people in decisions affecting their livelihoods and well-being. The problems are particularly acute for small, fragile economies in the era of globalisation. Trade liberalisation is sweeping away preferential access to traditional markets for commodities like sugar and bananas. And Caribbean Basin Iniative (CBI) preferences for non-traditional commodities may, similarly, disappear with the coming on stream of the Free Trade Area of the Americas (FTAA).

From Political to Economic Decolonisation

The advent of independence in Jamaica and Trinidad and Tobago in 1962 and Guyana and Barbados in 1966 gave rise to an intellectual ferment to move from political to economic decolonisation. National development planning, to moderate external vulnerabilities and support capacity to serve domestic and regional markets with food and simple manufactured goods, encouraged a longer vision than the annual budget.

In the early years of political decolonisation, economic transformation by national development planning attracted the best and brightest economists to public service. These men and women were of exceptional quality, training and national vision. They set their sights on structural transformation to reduce dependency on the metropole and increase spaces of economic self-reliance. Although national plans were sometimes no more than shopping lists for overseas development assistance, important progress in industrial development was achieved.

William Demas, the architect of the Treaty of Chaguaramas which formally established the Caribbean Community (CARICOM), served his country and the region in many capacities but, above all, as a public intellectual and a mentor to a generation of younger economists and public administrators. His constant encouragement and support of my work since our first encounter in 1961 is acknowledged in 'William Demas: Primus Inter Pares'.

When I first set foot in the region in 1961, the Federation of the West Indies was a brave project destined to fail because it was, in large measure, designed in London as a convenient way to dispose of colonial obligations to a region which had brought great wealth to Britain, but which was no longer politically and economically profitable. A contributing factor to the failure of the Federation was the widely held belief in Jamaica that that country, as the wealthiest member, would be burdened by poorer and smaller territories — a timely reminder to Trinidad and Tobago, which now enjoys the strongest and wealthiest economy in the region.

But the regional vision did not die with the Federation. The establishment of the Caribbean Free Trade Area (CARIFTA) in 1967 and the formation of CARICOM by the Treaty of Chaguaramas in 1973 provided the institutional framework within which the project of regional integration evolved. The CARICOM project was the creation of a common market with associated common institutions in areas of health, education, justice, transportation, disaster preparedness and other areas of functional cooperation.

When the Caribbean Community was founded in 1973 Jamaica (GDP per capita US$1,218) was the world's largest exporter of bauxite-alumina. Trinidad (GDP per capita US$1,681) had the largest petroleum refinery in the overseas Commonwealth and Guyana (GDP per capita US$662) with its extensive land, forest and mineral resources was the El Dorado of the Caribbean.[1] We recall that the GDP per capita of Jamaica and Trinidad exceeded that of Singapore and plantation-type economies such as Mauritius. Together with Barbados, (GDP per capita US$867) these four so-called More Developed Countries (MDCs) within the Caribbean Community were the engines of growth expected to lift the so-called Less Developed Countries (LDCs) — smaller Windward and

Leeward islands — out of poverty. The strategy was well conceived but did not anticipate the economic collapse of Guyana and Jamaica in the mid 1970s.

University of the West Indies (UWI) economists undertook an important set of studies on regional economic integration. The most memorable of these was *Dynamics of West Indian Integration* by Havelock Brewster and Clive Thomas (1967). On the campuses of the University of the West Indies, the *New World* Groups and the *New World Quarterly* brought a breeze of fresh critical thought. *Persistent Poverty* (1970) by the agricultural economist George Beckford became a widely acclaimed, internationally circulated work.

Caribbean governments extended incentives to foreign companies to establish industrial facilities to serve domestic, regional and metropolitan markets on the model of Puerto Rico, which had transformed a derelict sugar economy into a modern industrial one. These polices, ascribed to W.A. Lewis and dubbed 'Industrialisation by Invitation' by Lloyd Best, were the target of criticism by a generation of young West Indian economists impatient with the slow pace of economic and social transformation. A decade of high growth in Jamaica had failed to increase employment. The country experienced escalating inequality, deepening social discontent and a massive emigration of labour to Britain and North America. Jamaica became a classic case of growth without employment and growth without development.

In 1995 the Department of Economics at UWI St Augustine marked the 25th anniversary of the Best-Levitt models of plantation economy with a seminar. Perhaps it was time to revive the structuralist and institutionalist approach to economics? 'The Plantation Economy Models: My collaboration with Lloyd Best' related the different skills we brought to our joint work. The Plantation Economy Models were an innovative intellectual initiative designed to specify the mechanism of this particular type of economy. The methodology was historical and institutional. The intention was to produce a stylised model of a typical (generic) Caribbean economy, as an instrument of national economic planning. The Plantation Economy Models emphasised historical continuities, from the slave plantation (Model I), to modification following emancipation (Model II), to further modification in the era of postcolonial industrialization (Model III). The Accounting Framework, which accompanied Model III, suggested the database for a multi-sectoral economic planning model. The break with dependency

— the 'anti-model' — was to be model IV. My reflections on the significance of our work, 'In Search of Model IV', were presented at a conference honouring the life and work of Lloyd Best (2002).

A generation of West Indian economists were exposed to this work, together with the writings of Beckford, Girvan and others who shared the approach. Our work emphasised the economic, social and political commonalities within the region. 'Externally Propelled Growth and Industrialisation in the Caribbean' (1969) was reproduced in mimeograph form by the Centre for Developing Area Studies, McGill University, and the authors are now arranging for its publication.

At that time, the economies of the Commonwealth Caribbean were remarkably similar-dominated by foreign-owned extractive industries (sugar, petroleum, bauxite), foreign banks and tourist facilities. All of the territories, large and small, were primarily agricultural, and the legacy of the sugar plantation defined social and political as well as economic structures. GDP per capita for Trinidad and Tobago (US$1,191.9) and Jamaica (US$937.3) were similar. Although lower in Barbados (US$531) and Guyana (US$651.3), the difference was modest compared with subsequent divergence.

The next 30 years witnessed dramatic divergence in growth and other aspects of development in the Caribbean. Nevertheless, we believe that the plantation economy models continue to offer insight into common structures of peripheral export economies in general and Caribbean economies in particular.

The 1970s: The Rise and Decline of Third World Radicalism

The late 1960s and 1970s were years of resistance, revolt and militancy worldwide. In the Caribbean, it was evident that industrialisation and economic growth had failed to provide employment or capture economic rents from foreign-owned extractive industries. A groundswell of protests was directed against foreign businesses and national governments. Some observers believed that only the election of Michael Manley in 1972 and the sweeping social legislation introduced by the PNP prevented revolutionary upheaval in Jamaica. In Trinidad and Tobago, the Black-Power Revolution and Army Mutiny of 1970 prompted the government to undertake a programme of nationalisation in sugar, petroleum and petrochemicals and facilitated the establishment of locally owned financial institutions.

Jamaica responded to the oil shocks of 1973 by the imposition of the bauxite levy and joined with Guyana and Suriname in launching an international bauxite-producer cartel. In 1975 Portugal withdrew from colonial occupation in Africa. Cuba sent troops to defend Angola from South African backed mercenaries with moral support from the governments of Guyana, Barbados and Jamaica. Henry Kissinger descended on Jamaica with carrot and stick to warn Manley that his stance was unacceptable to the United States.

Jamaica was overcome by violence bordering on civil war, with charges and counter-charges of external intervention. The collapse of tourism, capital flight and the exodus of professional Jamaicans brought the country to near bankruptcy. In 1977 the government entered into its first Standby Arrangement with the International Monetary Fund, a relationship which continued for 20 years. When Manley was defeated by Seaga in 1980 Jamaica's GDP per capita had declined by a third from its peak in 1974 and external debt had increased to US$1.6 B. My reflections on Manley's defeat, formed during the last two years of his term when I was visiting Professor of Economics on the Mona campus, were presented in Toronto as 'Democratic Socialism in Jamaica: Manley's Defeat — Whose Responsibility?' Almost 20 years later, 'Lessons of the Seventies for the Next Generation' was presenetd at a symposium on Jamaica in the 1970s on the Mona campus, UWI.

In Guyana, the Burnham Administration undertook sweeping nationalisation including the bauxite operations of North American companies Alcan and Reynolds and the sugar giant Booker McConnell of Britain. The country aimed to be self-sufficient in food and the government assumed control of all foreign trade in 1974. Guyana established diplomatic relations with China and several other Communist nations. However, electoral fraud, systemic racial clientelism and the increasing use of state-sponsored repression of labour and citizen protest triggered a disastrous exodus of skilled and professional Guyanese. By the end of the decade the economy had collapsed and the GDP was a third of what it was in 1970. The country was locked into economic stagnation and overtly racial politics.

The OPEC price hikes of 1973 and the Amoco discovery of large offshore oil reserves lifted the Trinidad economy into almost a decade of uninterrupted expansion. Dr Eric Williams, certainly no socialist, but a pragmatic nationalist, used the proceeds of the oil boom to establish energy-based state enterprises in heavy industry, which remain the major driving sector of the economy. By 1982 Trinidad's GDP per capita had reached US$7,132 compared with Jamaica's of US$1,618. Barbados and most of the Organisation of Eastern Caribbean States (OECS) countries absorbed the oil shocks and achieved persistent high growth throughout the 1970s.

The 1980s: Debt and Structural Adjustment

The year 1979 was a watershed one. American power was challenged worldwide. In the region, the Sandinista revolution in Nicaragua and the bloodless coup in Grenada which brought the New Jewel Movement to power appeared to extend the influence of Cuba and shifted the region into the geo-political sights of strategic planners in Washington. Preferential market access to North America in the form of the CBI and military and economic assistance to friendly states were instruments of control of the region.

The accession to office of Margaret Thatcher in 1979 — with an agenda to smash the trade unions and privatise public assets — and the election of Ronald Reagan in 1980 signalled an economic regime change targeting inflation by hard-line monetarism. Interest rates soared up to 20 per cent and the US fell into serious recession — the worst since World War II.

Debt service on commercial bank loans, contracted at floating rates of interest with favourable export market conditions, became 'unpayable' when interest rates soared, commodity prices fell and the US dollar strengthened against Latin American currencies.

When Mexico declared its inability to service external debt in 1982, the Bretton-Woods institutions assumed a new role of debt collectors on behalf of commercial banks. The policy leverage, which accrued to the creditors, was used to introduce measures of trade and financial liberalisation. A young generation of North American-trained Latin American economists bought into these policies. With the exception of Trinidad, the countries of the Caribbean Community did not attract commercial bank loans because they were too small and too poor to be of interest. External debt was and continues to be, principally, official debt to multilateral and bilateral lending agencies.

It was no coincidence that Edward Seaga was the first foreign leader to be received by Ronald Reagan in 1980. He was set up as America's principal ally in combating communism in the Caribbean. The White House leaned on the World Bank to disburse an unprecedented loan of

US$2 billion to Jamaica, with minimal conditionalities. The money was intended for private and public consumption and was so used. Jamaica was proclaimed the 'flagship' of the Caribbean and a model of successful capitalist development. In 1983 Jamaica, Barbados and Dominica lent a measure of Caribbean legitimacy to the American invasion of Grenada.

However, by the mid 1980s it was payback time for Mr Seaga. The full force of IMF stabilization was unleashed on Jamaica. Although Seaga resisted pressures to devalue the currency and Jamaica did achieve modest economic growth, his popularity plummeted and Manley was returned to office in 1989 as a reconstructed convert to Adam Smith and the magic of the market. Jamaica's external debt now stood at US$4.2 billion and by 1992 amounted to more than 90 per cent of GDP. The large drain of servicing the debt has played a significant role in economic stagnation and deteriotating social conditions in the country. In 'The Origins and Consequences of Jamaica's Debt Crisis, 1970-1990' we detail the increasing burden of external debt resulting from the interplay of domestic politics with external geo-political pressures including successive IMF Structural Adjustment Programs (SAPs) since 1977. The study was commissioned by the North-South Institute of Ottawa.

In Trinidad the oil-boom weakened in 1982 and by 1986 oil prices had collapsed. Adjustment to such external shocks is unavoidable and entails temporary demand compression. External borrowing may ease the pain but it is the management of adjustment in a manner which protects, strengthens and extends economic capacity and infrastructure which counts. In 1987, a large repayment in debt service to commercial creditors became due. My opinion was sought as I was, at that time, in the country investigating a charge of statistical irregularites by the IMF. The choice was either acceptance of IMF assistance with liberalisation conditionalities or a severe compression of employment of public servants. In full knowledge of the implications of accepting IMF assistance, I lent my support to that option; a position explained and defended in 'Facing up to the IMF in Trinidad and Tobago (1990)'.

My Eric Williams Memorial Lecture (1990) on 'Debt, Adjustment and Development: A Perspective on the 1990s', delivered at the Central Bank of Trinidad and Tobago, at the invitation of the then governor, William Demas, addressed a question he had posed in earlier conversations. The question was 'What are we forever adjusting to?' The simple answer might have been that we were adjusting to a decline in oil prices. The more fundamental answer was that *we* were being 'adjusted' to the demise of the Bretton-Woods monetary order and that the principal instruments had been the structural adjustment lending of the IMF and the World Bank.

Although the Caribbean did not suffer the severe compressions of Latin America in the 1980s, average growth for the region as a whole in the first half of the 1980s, and average growth in the second half, were less than impressive at 2.4 per cent. In a keynote address at a conference in Trinidad on regional public policy 'The 'Lost Decade' of the 1980s' (1992), we surveyed the regional experience with SAPs. As an observer of the Jamaican experience in 1991, I warned against the adoption of premature financial and exchange rate liberalisation.

In the 1980s, the economics of survival, advancement and accumulation characterised behaviour at the personal and the institutional levels, including business, university and politics. The self-destruction of the Grenada Revolution in 1983 demoralised the left. Ideological initiative passed to the political centre right. A new generation of West Indian economists returned from American graduate schools as converts to monetarism and market fundamentalism. The older tradition of structural economics was marginalised, and the Caribbean Community seemed, to many people, to be a symbolic institution without the capacity to implement the annual ritual of ministerial resolutions and declarations.

Although economic issues were — and continue to be — at the forefront of popular concerns, economics as an academic discipline has become excessively mathematical and disengaged from reality. The West Indies also had its Chicago Boys. The counter-revolution in economics, which banished Keynes and elevated Milton Friedman's monetarist doctrines as the new wisdom, spawned a generation of young converts employed in Economics departments of UWI and in the public service. A conference on the demand for economists in the twenty-first century addressed concerns that the discipline was increasingly irrelevant to the problems facing the Caribbean. 'Reclaiming Economics for Development' with reference to work by Arrow, Bowles and Sen, and an agenda for *Development From Within* edited by Sunkel and Ramos called for renewal, review and revival of the rich tradition of Caribbean independent thought.

Barbados, Trinidad and Jamaica in the 1990s

Economic growth in the larger countries of the Commonwealth Caribbean continued to diverge in the 1990s. Financial and exchange rate liberalisation made it difficult, although not impossible, to stabilise the currency without monetary compression, which drives up interest rates, or fiscal compression which impacts most severely on the general population. Following a foreign exchange crisis of the early 1990s, Barbados achieved growth for eight successive years at an average of three per cent. The country refused to accede to IMF demands for a devaluation of the currency and opted for a combination of wage and fiscal restraint, stable external value of the Barbados dollar at US$0.50 and a cautious approach to the implementation of liberalised trade and finance. The unemployment rate which had stood at 24 per cent in 1990 had declined to 14 per cent by 2000. However, the slow down of the Organisation for Economic Cooperation and Development (OECD) growth and the events of September 11 2001, have precipitated a 2.5 per cent decline of GDP.

Barbados instituted counter cyclical measures to reflate the economy including the re-imposition of import restrictions on agricultural and manufactured products. The government resisted IMF pressure for the termination of these emergency measures and a freeze on wages and on hiring, and agreed to a second round of public sector wage increases in the following year. Among other measures demanded by the IMF but resisted by the Government of Barbados were floating prices for gasoline, privatisation of hotel interests and the further pursuit of trade and capital accounts liberalisation. It would appear that Barbados has placed a high priority on social stability. Bearing in mind the central role of tourism in sustainable economic growth and the special vulnerability of that industry to social unrest, the policy responses of Barbados to recent adverse economic developments have been both appropriate and responsible. However, Barbados is dangerously dependent on tourism as the driving force of the economy.

Trinidad society exhibited a remarkable resilience during a decade of economic decline and several political regime changes. Since the mid 1990s the economy has done well but most people have not. There is a general perception that the quality of life in the country is deteriorating, manifested by a rise in serious crime. Trinidad has been blessed with the discovery of large reserves of natural gas, which are expected to yield a substantial flow of rents to foreign companies and revenues to the government for the next ten years. The challenge is to engage the local private sector in investment in downstream energy-based industry while training the labour force in all the modern industrial skills required to take full advantage of this opportunity. This lends urgency to constitutional reform to assure transparency and accountability and safeguard the society against the deeper entrenchment of political clientelism of rival political parties dangerously divided by appeals to racial solidarities.

Experience with the oil boom of 1973–82 points to the critical importance of policy in securing social equity and ensuring sustainable development in the light of the inevitable eventual depletion of the petroleum resource.

In Jamaica in 1991, pressures from the private sector and the US embassy — but not apparently from the IMF — persuaded the Prime Minister to undertake a precipitous financial and exchange rate liberalisation, which sent the currency into a tailspin and the economy into a sharp curtailment of growth. Inflation skyrocketed; the government was faced with demands for wage increases, which were financed by domestic credit creation. The country experienced a speculative stock market and real estate boom, including shopping centres for the distribution of imported goods.

Mindful of the dangers of the devaluation-inflation wage spiral, the government undertook to stabilise the exchange rate by restrictive monetary measures. This launched Jamaica into a regime of high interest rates exceeding, at times, inflation-adjusted levels of 30 per cent. The effects on the productive sector have been devastating. Overdraft rates reached 50 and 60 per cent, forcing manufacturers to revert to the import of finished goods to maintain cash flow and prevent bankruptcy. High interest rates attracted large inflows of portfolio capital and the commitment to a stable exchange rate protected investors from exchange-rate losses.

Bad loans in the portfolios of banks and near-banks was reaching dangerous levels as banks were borrowing short and lending long — principally in real estate and hotels, based on a rising market. In 1995 the impending failure of a major financial institution and the fear of the consequences of a run on the banks moved the government to announce a bailout of depositors, policyholders and a significant number of non-financial businesses. The agency set up to oversee this bailout, the Financial Sector Adjustment Company (FINSAC) purchased the non-performing loans at full face value by the issue of government securities. The scale of this operation was high by international standards, amounting to 40 per cent of GDP.

Domestic debt service increased to approximately 60 per cent of government revenue, one third of this held by financial institutions. This apparently unsustainable situation has been maintained through the symbiotic relationship between the political and financial elites. The state finances the national budget via huge domestic borrowings while the holders of these government securities benefit from high returns at minimal risk. At prevailing high rates of interest this is a mechanism of redistributing income from the general public to banks and other holders of domestic debt. When the burden of servicing domestic debt became intolerable the government floated an international bond for US$300 million (2000). In the following year another $300 million was borrowed externally which raised Jamaica's external public debt to US$4.6 billion or 57 per cent of GDP.

In the 1990s Jamaica lost 30 per cent of the jobs in agriculture, forestry and fishing, altogether 62,200 since 1988. From 1990 to 2000 the whole goods-producing sector of Jamaica — agriculture, forestry, fishing, mining, manufacturing and construction — lost 128,000 jobs, 133,500 since 1988. Mining jobs declined from 6,400 to 4,600. Manufacturing jobs declined from 133,800 to 69,600 — a loss of 64,200 jobs or 48 per cent. Poor people continue to seek solutions in legal and illegal informal activities and emigration. In the last five years of the 1990s migrant remittances totalled US$3.2 billion or 10 per cent of GDP. As the crisis deepened, it would appear that remittances increased. By 2000 remittances amounted to 12 per cent of GDP, a source of foreign exchange earnings second only to tourism (17 per cent of GDP).

There is no way that adverse external circumstances can account for the dismal record of Jamaica's economic performance in the 1990s. Natural disasters of hurricanes and floods and the impact of the events of September 11, 2001, on tourist arrivals are not unique to Jamaica. Nor can it be ascribed to political instability, because the PNP has been in office continuously since 1989, Prime Minister Patterson has led the government since 1993 and has been re-elected several times in free and fair elections. The decade of the 1990s, which registered essentially no growth in GDP per capita, began with 4.7 per cent growth.

While the Fund is more concerned with the health of monetary, fiscal and financial indicators than the health or well being of the population, and many of their recommendations are biased to protect investors and exert constant pressure to deregulate, liberalise and privatise, governments are not obliged to accept IMF advice and indeed frequently do not do so.

How is it that Barbados, with a small and vulnerable economy, and no natural endowments other then beaches and a favourable tropical marine climate, has sustained economic growth with stability for the past 30 years and now has achieved per capita GDP of US$10,000 and a ranking in the United Nations Development Programme (UNDP) Human Development Index, first among developing countries and second only to Hong Kong? In 2004, Barbados and Antigua graduated from the category of medium to that of high income countries, with approximately US$16,000 per capita income. We suggest that the answer is to be found in the social compact and the explicit and implicit negotiation between government, labour and the ruling elites, which have defended the national interest from external destabilisation. Although the rhetoric of social compact has gained currency in Jamaica, the real social contract is between the political and economic elites and excludes the labouring classes, illustrated by mutually beneficial debt financing at the expense of the general population, cited above. The crisis in Jamaica is essentially domestic, and deeply rooted in the historical legacy of the slave plantation.

My George Beckford Memorial Lecture of 1995 reproduced in this collection as 'The Persistence of the Plantation Legacy in Contemporary Jamaica', traced Jamaica's attempts at economic and social transformation from political independence in 1962 to the present. We maintained that neither the social reforms of democratic socialism of the 1970s nor the accession of educated black Jamaicans to positions of influence in the 1980s eradicated the debilitating plantation legacy of class and race. Nowhere else in the Caribbean, with the exception of Haiti, did we find disparity of wealth so grossly inequitable. In Jamaica, for example, in textile manufacturing the median reported salary of a CEO was 40 times that of the lowest paid worker. In Trinidad, by contrast, the difference although great was only 23; but the labourer was earning three times as much as his Jamaican counterpart, while remuneration at management level was roughly equal. Similar results were found in other industries and in the public sector.

The suggestion that the reforms of the 1970s had ultimately failed to raise the social and economic status of the majority class elicited a defensive response from Michael Manley. This gave rise to an important exchange of letters with the author, introduced by Rex Nettleford and published in *Small Axe*. My contention that financial liberalisation of the early 1990s had been a disaster and that Michael Manley had been too quick to buy into the neo-liberal doctrines of market fundamentalism and the demise of national sovereignty presented him the opportunity to explain his philosophy and defend his policies. The correspondence was, perhaps, Mr Manley's last dialogue regarding his public record. He died March 6, 1997, at 72.

In the 30 years since the establishment of the Caribbean Community the constituent territories have experienced very divergent development. Guyana, once the most promising territory of the Commonwealth Caribbean, has now joined nations of sub-Saharan Africa in qualifying for Highly Indebted Poor Countries (HIPIC) debt relief on account of its low GDP per capita and unserviceable debt. Moreover, with the exception of Trinidad's energy resources, the region as a whole has declined in relative economic significance and now accounts for a mere 0.3 per cent in hemispheric trade.

Contrary to popular opinion in the region, however, the achievements of CARICOM are not insignificant. The creation of the Regional Negotiating Machinery; the project of the CARICOM Single Market and Economy (CSME); the accession of Suriname and Haiti to full CARICOM membership and the establishment of the Association of Caribbean States, were critical steps in the deepening and widening of Caribbean regional integration. The Caribbean Community has been steadfast in extending friendship and cooperation to Cuba and upholding the principle of sovereignty. Notwithstanding the slow pace of implementation of the CSME, particularly with respect to the free movement of people, CARICOM has sustained and advanced the larger vision of the entire Caribbean as a region with a distinct geographical, historical, and cultural shared identity. An address accepting the George Beckford Award on the occasion of the fifth conference of the Association of Caribbean Economists held in Havana, entitled 'Building Bridges Across the Caribbean', offered a vision of a

Caribbean Society embracing countries of differing languages and political systems.

Caribbean governments have been firm in their adherence to the rule of international law and respect for the United Nations, where small countries with weak economic bargaining power are respected as full members of the international community. In recent rounds of trade negotiations for FTAA, CARICOM's position has hardened. Priority has been put on the need to protect the project of the Single Market and Economy from premature hemispheric liberalisation.

Without detracting from the economic issues in complex trade negotiations, what is ultimately at stake here is the will and the capacity to sustain Caribbean societies.

A decade or more of liberalisation has widened disparities and degraded the social environment. Domestic industries have collapsed, small farmers are threatened by the import of cheap and subsidised foods, migration continues to deprive the region of skilled labour, and crime is on the increase throughout the region. None of these problems are addressed by trade negotiations. The ultimate support of a vibrant economy is rooted in the social relations, which must sustain it. Nothing is now more urgent than a re-thinking of the priorities of Caribbean societies.

William Demas, who conceived, nurtured and guided the Caribbean Community, once observed that the case for regional integration does not ultimately rest on any economic prepositions concerning benefits of scale, but on the sense of West Indian nationhood.

The task now facing the Caribbean at the national and regional level is a comprehensive stocktaking of the natural and human wealth of the societies — the agricultural land, forests, marine resources and above all the diverse creative skills of the population with the relativaly high rates of literacy and the high levels of professional competence. There is a need to nurture and protect the social environment, which permits citizens to develop the full range of their skills in dignity, security, mutual respect and support. Governments alone cannot achieve this.

As I wrote in concluding remarks to an address (Eric Williams Memorial Lecture, 1990) on meaningful economic development,

> Development cannot be imposed from without. It is a creative social process and its central nervous system, the matrix which nourishes it, is located in the cultural sphere. Development is ultimately not a

matter of money or physical capital, or foreign exchange, but of the capacity of a society to tap the root of popular creativity, to free up and empower people to exercise their intelligence and collective wisdom. It is the responsibility of those who aspire to exercise leadership, whether in government, in business or working in educational, cultural, trade union, religious or other non-governmental institutions or associations, to protect the cultural, social and political institutions of society from the disintegrating forces of 'winner takes all' market criteria.