



The Barbados Economics Society

A Review of the Past Year of Economic Policy

Sentiments of the BES President, Mr. Simon Naitram

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Issue 1

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Summary

Three Things to Applaud

First, the Government acted quickly in a situation that looked desperate. Whether you agree with the strategy or not, it was clear that immediate action was necessary. The Government created credibility by engaging the IMF with a plan in hand. This credibility brought the CDB and the IDB on board.

Second, there have been encouraging steps towards meaningful structural reform. The new Town and Country Planning Act is a step towards less bureaucracy and more engaging administration. Turning CAIPO over to external management recognises that we cannot accept inefficiency and lastly, the plan to create new financial institutions will help fund Barbadian business.

Third, better communication has heightened social awareness and increased confidence. The Barbadian public is an important cog in the long-run growth story of the nation. The Social Partnership between employees, employers and Government thrives under full communication. We can achieve inclusive growth—growth that benefits all Barbadians—through full participatory democracy.

Three Things of Concern

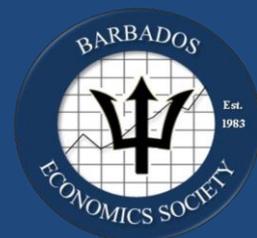
First, the effects of these measures on the poor. There is no doubt that Barbados' wealthy could have borne more of the burden of austerity. An extra \$2 per day in bus fare is \$730 over a year. This wipes out the \$700 increase in the Reverse Tax Credit for low-

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income Barbadians. Meanwhile, Barbados' richest have received two tax cuts—one on personal income and one on business profits. By taxing income less and taxing goods/services more, the Government is imposing a heavier burden on the poor.

Second, the growth strategy remains foreign-centric. Barbados' growth strategy remains focused on attracting foreign investment—an unsustainable strategy. In the long run, Barbadians gain little from foreign exploitation of their country as the country is forced to satisfy the whims of international investors. Instead, we must prioritise Barbadian investment in Barbadian businesses.

Third, the delay in renegotiating our foreign debt. Domestic debt restructuring was easy. The Government mostly defaulted on debt to the Central Bank and the National Insurance—two Government-controlled bodies. But defaulting on foreign debt has never been easy. Luckily, it is only a small part of our total debt. Unfortunately, the possibility of large foreign repayments in the future still hangs around our necks

Three things we would like to see in the coming year

First, greater investment in public infrastructure. The decay in public infrastructure over the past decade is unmistakable. Economic returns are very high for investment in public infrastructure. Public infrastructure includes roads, schools, hospitals, water supply, coastal restoration, public spaces. To see how important infrastructure is, consider what happens when it falls apart. A lack of investment in maintenance caused the South Coast to be flooded with sewerage. It forced businesses to close. We lost much economic activity. Investing in public infrastructure creates new business opportunities. Our country is only as good as our infrastructure.

Second, genuine public sector reform. We don't just mean allowing online payments or adding performance reviews. The public sector is inefficient because it is designed to be inefficient. Each department is propped up by dozens of bureaucratic regulations, requirements, and processes. For each bit of red tape, the costs to society almost certainly outweigh the benefits. Red tape encourages corruption, and makes Barbadians feel like hostages in their own country. We must redesign the public sector to enable Barbadians rather than to oppress Barbadians.

Third, an open debate on economic matters. Economic policy cannot afford to be tainted by political rhetoric from any side. We must base economic decisions on objective consideration

of costs and benefits. We must be clear on who pays the cost and who gets the benefits. Any recovery will be unsustainable without open, transparent and objective debate.

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