

THE RELEVANCE OF STRATEGIC INTERVENTION TODAY: THE CASE OF JAMAICA AND THE BAHAMAS

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I. INTRODUCTION

Historically, international trade has always been an important part of Caribbean economies. The striking characteristic of Caribbean countries' dependence on a limited number of exports is that these exports are characterized by a variety of certain constraints, especially lack of a domestic capacity to alter their production technology. Indeed, lack of technical capacity has placed limits on Caribbean economies' transformation process. Technological-industrial dependence has been consolidated, and export production is determined by demand from the main hegemonic centers. Consequently, the indigenous initiatives could not result in widespread demand and supply breakthroughs to transform the structure of local economies.

Evidently, the failure to engender the rise of a developmental state is a common feature of Caribbean countries in general; this particular feature has been a by-product of their international political economy. During the colonial period, the state remained mother country oriented. After decolonization, it became patronage based. At critical historical moments, the state power holders shied away from deepening the process of capital accumulation in order to safeguard colonial interests, and later, the political survival of the new political class. More importantly, the compromised character of the Caribbean state inhibits its capacity to act as an agent for deploying power to assist in broad-gauged, long-term national strategies. This was manifest in the failures and short-circuiting of transformative impulses that occurred during the last forty years or so (Marshall 1998:43-44).

This paper seeks to revisit the Caribbean Developmental State framework that was proposed by Karagiannis (2002a, b; 2003a, b; 2004). It is recognized that the Caribbean public sector is now required to adapt its role and purpose to both “the contemporary realities and historical factors”, as national governments try to respond to the challenges of the new millennium. These challenges require Caribbean governments to construct new policy platforms on which to work. It certainly implies activist government. Certain countries, notably the high performing newly industrialized countries of East Asia (NICs), have demonstrated that strategies characterized by high quality state action in selected policy arenas have greatly enhanced productive capability, international competitiveness, and national prosperity.

Thus, the Caribbean state requires an alternative policy direction. It needs to have strong policy instruments which will enable it to plan and finance its strategic goals such as sustained growth, job creation, higher mass living standards, industrial competency and environmental protection. This re-tooling of government policy-making requires a re-thinking of the form of government intervention and, especially, an emphasis on its “modern” developmental role. This is a crucial challenge today facing Caribbean territories.

The argument of the paper is as follows. The first section summarizes past development efforts in Jamaica and The Bahamas, and evaluates these efforts and policies. The second section seeks to chart a Developmental State framework for Jamaica and The Bahamas: an institutional system which appears to have been used with enormous success in East Asia but, unfortunately, has been neglected in the region. The final main section of the paper identifies key strategic requirements and offers alternative policy suggestions, while considering socio-cultural and historical factors.

II. PAST DEVELOPMENT EFFORTS

The Jamaican experience

As in other parts of the Caribbean in the 1950s and 1960s, successive Jamaican governments pursued policies of industrialization aimed at encouraging the establishment of both import-substitution and export-oriented manufacturing enterprises. Foreign investments in the bauxite industry were chiefly responsible for the high growth rate and the structural changes experienced by the Jamaican economy since World War II. In addition, the tourism sector was promoted as a generator of incomes and jobs, and a valuable earner of foreign exchange. By these means the economy was able to grow throughout the 1950s and 1960s by an average of almost 6% per annum.

The policy pursued in Jamaica in the pre-independence era emphasized economic growth and foreign investment but neglected social welfare, and the country retained a weak and dependent economy. Income distribution was highly uneven; prosperity coexisted with severe socio-economic problems (e.g., unemployment and under-employment, poor housing, illiteracy, squalor and deprivation). The higher wages paid in the “enclave” sectors (new mineral and manufacturing sectors) encouraged people to forsake low-paid agricultural employment in the hope of finding work in these industries – even though the capital-intensive character of most of the imported technology meant that only few jobs were created. A substantial amount of sugar was shipped in a raw state; the bulk of the bauxite mined was exported as ore; the manufacturing sector consisted largely of “screwdriver” operations, heavily dependent on imports of raw materials and partly finished components; and the tourist industry failed to create a web of linkages with local agriculture, and was, thus, partly responsible for Jamaica’s growing imports of foodstuffs. The growing sectors generally forged very limited linkages with other activities of the economy (Payne & Sutton 2001:64).

In the 1970s, the national government publicly committed to the ideology of democratic socialism signifying a rejection of both the Puerto Rican and the Cuban models of development, and determined to reshape Jamaican society, economy, and external relations accordingly. In general, the Jamaican government emphasized three basic commitments. The first was the creation of an economy that would be more independent of foreign control and more responsive to the needs of the majority of the people. This required a wide range of initiatives including the extension of state control into the “commanding heights” of the economy. The second commitment was the development of a more egalitarian society, and the government sought to use the state to ensure that certain basic rights were enjoyed by all Jamaicans. A common feature in all these proposals was the use of public expenditure to increase the level of egalitarianism in society. The third commitment was described as “the politics of participation”. This called for basic political engineering to create the institutions through which people get continuously involved in the decision-making process (Payne & Sutton 2001:68-69).

In particular, there were three periods in which the government’s policy making may be analyzed in the 1970s. From 1972 to 1974, the government carried out an *ad hoc* program of reforms without any decisive break with the previous direction of economic policy. The year 1974 was a turning point for the Jamaican administration and, since the mid-1970s, there was a shift in focus to economic stabilization, in light of a global

economic crisis and a number of severe economic pressures (e.g., deterioration in the balance of payments, growing inflation, external debt, and stagnation in domestic production). Finally, in the late 1970s, the government was locked in struggle with the International Monetary Fund, and followed a different program of economic measures to the deflationary package implicit in the proposed IMF agreement. However, in the view of Girvan, the IMF had at last “succeeded in manipulating the Jamaican political process to re-establish the political conditions in which the previous model of dependent, unequal capitalist development may function”.¹

The ideas which influenced the government’s handling of the Jamaican economy during the 1980s were broadly those of neoliberalism, as refined over the course of the decade by the IMF and the World Bank. Indeed, in the 1980s, the new political administration realized that the global trend in economic management favored neoliberal premises; the Jamaican economy urgently needed the financial support of the IMF; structural adjustment was dominant in the IMF’s thinking; and, above all, the government saw an opportunity for Jamaica to cultivate a reputation in the United States for free market beliefs. The central theme of the government’s development strategy was export-propelled economic growth, with a focus on the penetration of the large North American markets. In this development strategy, the state resumed a limited role, with the sphere of production left entirely to private business. Yet, these measures served to increase the inequality among social classes.

The 1990s were characterized by what might be called the consolidation of the neoliberal revolution, tempered only by the realization that more attention had to be paid to human resource development if the new technological imperatives of a globalizing economy were not to pass Jamaica by. Development was seen as a market-driven private sector-led process. The role of the state should be to meet the demands for “good governance” imposed by the international financial institutions and thereby fashioned to serve efficiently the logic of deregulated competitive markets and integrated global production, led and directed by transnational corporations.

Overall, there is a common set of threads that run through the entire post-Independence period, despite the differences discussed above. All governments have pursued export-led economic growth. They have sought to protect traditional markets, while encouraging diversification of exports to one degree or another. Except from 1974 to 1977 when the state asserted its leadership of the development process, policy making has left the sphere of production to private business and confined the state to providing

incentives to encourage investment, –particularly foreign investment- as a necessary source of investment capital, technology, management techniques, and access to foreign markets. Since the mid-1970s, all governments have had to concern themselves with short-run stabilization problems (stagflation, balance of payments, and the repayment of the external debt). Hence, there has developed “a kind of tyranny of the short run in the government’s decision-making process” alongside a lack of vision, commitment, thoroughness, accountability, effectiveness, competence, and professionalism (Davis & Witter 1989:96).

In addition, available figures and statistics (STATIN various issues; PIOJ various years) clearly suggest an unsatisfactory performance of the Jamaican agricultural and agro-industrial sectors during the last three decades, which has been bedeviled by superficial, partial, inconsistent and unsuccessful policy-making as well as harmful political interference. These shortcomings have been hampering and frustrating the country’s development efforts and policy. Lastly, pork barrel intervention and, especially, the use of “garrison politics” in Jamaica have been subjected to a number of conflicting forces with disastrous effects on the country’s economic policies.

The Bahamian Experience

From the latter part of the 18th century until the early 20th century, The Bahamas successfully demonstrated the capability to produce large volumes of produce for both the domestic and foreign markets, and Bahamian agriculture became a successful competitor in the world market. Before 1960, farming in The Bahamas was referred to as a peasant industry. But in the 1960s, the agricultural and agro-industrial sectors were viewed as important economic activities (Eneas 1998:45). Agriculture was seen as the sector to absorb an expanding labor force, and the country concerned the British Colonial Office since agriculture was not producing the staple food supply of the mass of the people nor could it accommodate the surplus manpower.

Also in the 1950s, the attraction of offshore US multinational corporations to the islands of the northern Bahamas was also critical in terms of providing employment in the lumber industry and cash crop production on the islands of Andros, Abaco and Grand Bahama (Eneas 1998:24). In fact, since the early 1950s, apart from subsistence and small cash crop farming, there were several large offshore companies – highly capitalized and commercial agro-industrial firms in operation. These foreign-owned companies represented large-scale commercial farming in The Bahamas (Eneas 1998:17). They employed substantial numbers of

Bahamian workers, introduced new technologies, displayed new management skills and expertise, and generated foreign exchange for the colony, particularly those businesses which were engaged in exporting. The export market was supplied by several American offshore corporations (Eneas 1998:42-43). After 1960, more companies joined the ranks of the large-scale agricultural enterprises (e.g., fruits and vegetables, dairy products and poultry). The hopes was that these companies over time would turn towards agro-processing activities, or by their presence encourage foreign interest in this sector. The trend continued with limited success through the 1970s, 1980s and 1990s.

However, these foreign-owned companies engaged in little processing and established few linkages with other sectors of the Bahamian economy. Foreign capital really could not objectively promote significant industrial development in The Bahamas because of the way in which the social elite, government and merchants bestrode the local economy. Besides, Britain, and later the USA, have never encouraged real industrial development in The Bahamas.

After World War II, the country entered a new era of economic development, as tourism became the engine that propelled the Bahamian economy. With the emergence of tourism in the 1960s, and given the relatively lower returns from agricultural activities, “there has occurred a natural and rapid movement of manpower resources away from the latter to the former” (Ramsaran 1983:32). Consequently, both agriculture and manufacturing industry were downgraded within the new development thrust, while commerce dominated production (Marshall 1998:70).

However, successive governments of The Bahamas have realized that the local economy is extremely vulnerable to foreign activities and external factors as a result of its heavy dependence on Tourism and Financial Services. Thus, although economic decision and policy-makers in The Bahamas believe that tourism will remain the “engine” which drives the Bahamian economy, the growth of primary production has also been taken into consideration. Indeed, since the late 1960s, the government enunciated various efforts and policies, which were: to sustain and improve local production of food stuffs for the benefit of primary producers and to diversify the economy; and, to plan the future development of agriculture and fisheries in order to secure a greater measure of national security in food supplies consistent with keeping living costs as low as possible (Eneas 1998:48).

Furthermore, deliberate government attempts to foster industrial development and attract foreign direct investments by offering various tax incentives can be traced back to 1951 (*Industries Encouragement Act No*

27 of 1951), with a view to encouraging manufactures, aiming mainly at foreign markets. In 1955, more incentives were provided in the form of the *Hawksbill Creek Agreement*, which offers exemption from taxes on income, capital gains, real estate and property until 1990 as well as exemption from customs duties (except on imports for personal use), excise and stamp duties until 2054 (Ramsaran 1983:23). In 1970, in the wake of growing concern over the heavy dependence on Tourism, the government adopted a new *Industries Encouragement Act* (No 10 of 1970) which, in addition to granting freedom from import taxes and duties on essential means of production (e.g., plant machinery, tools, equipment, raw materials, etc.), offers complete exemption on all earnings for 15 years to approved enterprises. But, given the absence of income and corporation taxes in The Bahamas, this latter incentive is rather a guarantee (Ramsaran 1983:23).

Besides, the second largest city of the country, Freeport in Grand Bahama, is the place where almost all the industries are located. Freeport, as the name implies, was first conceived as a “free port” by the American citizen Wallace Groves, who saw enough potential for a major venture (due to the proximity to North American, Caribbean and Latin American markets). To carry out his plans in 1955, the government gave to his company (the Grand Bahama Port Authority) “exclusive rights to develop 50,000 acres of unused Crown lands, control over employment, special powers to administer the free trade zone until August 2054, and tax incentives as were provided under the Hawksbill Creek Agreement” (Ramsaran 1983: 30). However, within five years of the signing of the original agreement, not only did the area under the Port’s control increase to 138,000 acres (about 40 per cent of the island of Grand Bahama), but the project itself took on a more ambitious dimension, extending its scope from a more or less strictly industrial and commercial complex to the construction of resort facilities and residential and shopping areas including the development of golf courses and other social amenities. With the introduction of casino gambling in the early 1960s and the construction of a deep water harbor in addition to the provision of certain basic infrastructures such as water, electricity and telephone services, the area soon developed a phenomenal momentum which continued right up until the end of the 1960s.

The number of visitors to Freeport increased from (around) 27,000 in 1963 to more than half a million in 1971, while the population itself swelled from as estimated 150 in 1956 to over 15,000 in 1970. Of the latter figure, it should be noted, more than half are of foreign origin, brought in to

run the industrial and commercial concerns located in the area (Ramsaran 1983: 30-1).

In the late 1960s, the new Political Administration, gave notice of its intention to re-establish control over immigration in the Freeport Area and to amend the Hawksbill Creek Agreement, if found necessary to do so. This decision however, not unexpectedly, created a great furore, the reverberations of which are still being heard, as the critics of the administration seek to attribute the down turn in activities in the area (and the loss of momentum during the 1970s in this industrial enclave) directly to the government's action which was carried out in 1970 (Ramsaran 1983:31).

Overall, production-oriented endogenous competency programs for the Bahamian agriculture and agro-industrial sector have been few, and the elements of a successful agricultural sector in The Bahamas are still absent. Since the early 1970s, figures and statistics show that the share of the foreign-dominated manufacturing sector in the country's total domestic exports is extremely high and, therefore, clearly illustrate the importance of these industries in the export trade of The Bahamas. Indeed, the contribution of the manufacturing sector vis-à-vis tourist related activities is undoubtedly very insignificant. Besides, available statistics clearly suggest a rather disappointing performance of the Bahamian agricultural and agro-industrial sectors during the last five decades or so, which has been bedeviled by superficial (in scope and nature), partial, inconsistent and unsuccessful policy-making as well as harmful political interference.

III. CHARTING A CARIBBEAN-TYPE DEVELOPMENTAL STATE FRAMEWORK: THE CASES OF JAMAICA AND THE BAHAMAS

An important point which should be made concerns the economic impact of development policy *vis-à-vis* the other possible determinants of endogenous growth (such as historical legacy, the role of the market and the state, the role of foreign capital and foreign hegemonic powers, geopolitics, culture and social psychology). Within such a context, the construction of a developmental state framework for Jamaica or The Bahamas will be a deeply political and social process.² The obstacles to reform are quite formidable and may face severe political challenges. Specific policy innovations, to be effective, require radical institutional changes. Reforms must be guided therefore, in policy terms, by forethought and coordination; in institutional terms, by rationalizing and reshaping various departments and agencies of the state which are involved in industrial development, investment and trade; and in the political arena, by shifting the balance of power towards those social groups and strata

favoring developmental solutions to socio-economic problems. This is as controversial as it is problematic in Jamaica and in The Bahamas, given the absence of political will and the difficulty in having such views channeled through political avenues (Marshall 1998:190).

Evidently, government managers and their advisers are still to grasp that building endogenous competency and raising overall competitiveness is a socio-economic transformation venture that goes far beyond their faith placed on optimistic outcomes of neoliberal adjustments. However, the pursuit of developmentalist objectives is only possible in these countries if policy formulation moves beyond the “business-as-usual” *ad hoc* solutions to correcting macroeconomic framework conditions, and deals effectively with the conflicting goals of short-run capital gains and longer-term socio-economic development (Marshall 1998:194).

Thus, development-promoting links between tourism and agro-processing industry would need the necessary aptitude for meeting the enduring economic and political challenges, and hold the potential for agreeing to a developmentalist ideology which accepts that the state –with effective levers of intervention- must take a leading role in restructuring the economy, targeting sectors, raising the quantity and quality of industrial investment, and fostering links with civil society. This implies that a combination of plan and market is going to be required as well as the need for effective statecraft and new state-societal alliances. Besides, local entrepreneurs may need to enlist the support of the state, especially in their effort to raise industrial competency, productivity and competitiveness (Marshall 1998:191,196).

Indeed, state policy and influence will have to be decisive factors. Given that both countries need greater sources of foreign exchange, strategic planning should be limited to the strategic oversight of development which is essential in the case of a limited array of key industries or sectors. In essence, the Developmental State’s mandate should contain the following kernel objectives: to provide a sense of overall direction to the overall evolution of the economy. The vision which should guide development policy is summarized as agro-industrial rejuvenation and growth (in the Bahamian case, significant agro-industrial development, given the country’s negligible local production), industrial upgrading and structural transformation; to “guide capital”, both local and foreign; and to coordinate investment and strengthen forward and backward linkages between all sectors of the domestic economy.

Obviously, in order to assure realization of these national development goals, an economically active state must play a significant role. Likewise, well-educated well-trained and efficient technocratic

planners play key roles. The government provides the “national purpose” framework and a strong domestic platform, while the technocrats supply technically proficient planning and overview. This “national purpose” proves possible to bring together social and political forces in the interests of a socially defined agenda. Besides, the growth-oriented transformation must lead in a corporatist direction and strategic partnership between the Developmental State, forward-looking firms, and various social segments. A broad-based consensus is also required, and could afford scope for strategic planning. In addition, if such thorough alternative strategies are to solve such problems, they presuppose participation. Indeed, participation is a vital element ensuring that sufficient motivation, creativity and human effort are forthcoming to guarantee that such thorough strategies can be successfully carried out in these countries.

In formulating policies for endogenous growth, economic restructuring and diversification, it is essential, therefore, to recognize the critical elements of the system in terms of deriving a long-term strategy. Simultaneously, it is necessary to juxtapose certain facts relating to the structure of these economies in order to provide what might be called “integrated development perspectives”, and to show the relative position of endogenous strategic components. Failure to do so can easily lead not only to short-run, highly partial considerations, and short-term measures dictated by pressing problems (e.g., job creation, unsteady growth, balance-of-payments constraints) but also to the adoption of *ad hoc* approach to development which may be in basic conflict with the goal of a stronger economic fabric (Ramsaran 1983:378; Karagiannis 2002a:15). Attention will have to be drawn to the emphasis placed on tourism in the Caribbean, as the lack of overall integrated policies has limited its contribution to the local social and economic development.

In order to maximize the benefits from tourism, the sector must provide an effective stimulus for local agriculture and agro-industrial production. However, the benefits from tourism growth have been inadequately exploited because of insufficient linkages with domestic food, beverage, and other commodity production sectors; and failure to upgrade complementary and related service industries like information services and communication. The fact that decisions relating to a particular sector (e.g., tourism) tend to have broader implications for the national economy as a whole requires a clear examination of the interacting influences between the promising activities from the point of view of endogenous competency, and those that may provide short-term benefits but offer little hope as a secure basis for future national well-being.

Prospects for future growth in Jamaica and in The Bahamas have been frustrated and lowered significantly due to foreign exploitation and underutilization of existing resources, in addition to economic difficulties these countries have repeatedly faced. The underutilization of part of their productive capacity is proof of this considerable growth potential. As these economies operate at well below their level of physical and human capacity, policies to increase aggregate demand can yield substantial economic gains.

Thus, a first requirement of a thorough development strategy is that the expansion of tourism represents a net addition to the effective use of resources and, therefore, to the overall growth of the system. Besides, aggregate demand must be sufficient enough to stimulate production up to the adequate rate of capacity utilization. However, growth of local production must go hand in hand with special consideration of the country's external trade. In connection with this, the competitiveness of the local economy must come to the fore (Lopez 1998:6).

In order to expand industrial production and employment, firms must have the financial means to invest in the necessary machinery and capital equipment, critical kinds of science and technology initiatives, learning, and skills training and upgrading, and short-run bottlenecks preventing a fuller utilization of capacities have to be taken care of. These bottlenecks may include a lack of the necessary resources and skills, difficulties in obtaining finance, and a lack of business confidence.

Hence, a second requirement of the proposed Developmental State strategy is that selective economic policies should provide the resources and stimuli to carry out the investments in both working and fixed capital, infrastructure, and the modern factors of development necessary to raise output and to improve the production and commercial conditions of firms and hotels at national and local levels (Cowling 1990:24; Lopez 1998:11-12). Active fiscal policy ought to carry out the investments necessary to improve the supply conditions of firms and to support the other expenditures associated with the selective policy. Monetary policy ought to ensure that sufficient financial resources are channeled to firms and to intermediary agencies at reasonable interest rates. Besides, it should be considered that the increase in output would translate into higher profits and savings (Lopez 1998:12).

However, bottlenecks at the firm or macro level often hamper a more efficient capacity utilization. These bottlenecks must be seriously considered, would require addressing a number of issues simultaneously, and accordingly a medium and long-term development strategy should have as a basic requirement a close link with a deliberate industrial

strategy. Such a directed state action should: (1) expand and improve existing production lines; (2) select and give priority to investments in new and technically promising activities; and, (3) adjust quickly in anticipation of, and in response to, global changes in demand and technological innovation (Lopez 1998:12-13; Bernal 2000:107).

Indeed, industrial targeting should single out areas of emphasis in selected fields, and should be directed towards developing the national industrial core and upgrading overall competitiveness. It should be concentrated on a few focal areas having favorable prospects for development, and be selectively designed so as to support a small group of key dynamic firms managed by modern entrepreneurs. Even a small group of propulsive industries can be instrumental in emphasizing the accelerators of endogenous competency and growth, exert pressure to adapt on other supply firms, and introduce modern concepts of policy making and labor relations. The various spheres of policy (e.g., industrial policy, regional policy) should be directed towards consolidating these focal areas, correcting the imbalances which continually emerge in the wake of restructuring and repositioning, reconciling contradictory elements therein, and smoothing the path for industrial growth.

Modern production techniques make it possible to manufacture in small series on a viable basis. Targeting and flexibility are possible, especially if they can draw on modern industrial planning. Given the production growth of local industries and the improvement of national competitiveness, demand for imported capital and goods could decline and exports of local products expand. Assuming predominance of clear focal areas and initiatives carried out by both a competent administrative machine and dynamic local firms, a large part of the additional goods produced will be devoted to exports. Consequently, these countries would make a greater and better use of their productive resources and capacity, while at the same time easing the constraints on their balance of payments.

What has been asserted should not be taken to imply a rejection of the problems that could arise with the proposed development strategy. But to face them, a sound economic approach ought to complement short-run measures with a thorough plan for the future, which includes a long-term industrial or structural change strategy aimed at diversifying local production, strengthening technological capabilities, and promoting innovation. Greater levels of production, employment and profits that would be achieved in the short term owing to the fuller use of available resources, would actually spur a transition to a more structurally efficient economy. Part of this increased production and income would go to higher expenditure on the modern factors of endogenous competency and lead to

faster development of skills of the labor force. Not only higher profits would allow additional investment but also a greater proportion of income growth will be channeled towards investment. Hence, in the future, it would be relatively easier to incorporate more modern technology and increase productivity, while at the same time raising accumulation rates (Lopez 1998:18-19).³

Obviously, for purposes of designing endogenous competency strategies to achieve the development of productive forces and the transformation and diversification of the structure of local production, technically proficient strategic planning is absolutely necessary –indeed, it is inevitable- and should be directed towards the creation of new conditions and processes to be effectively and directly determined by the planning authorities. Strategic planning is a pragmatic attempt to increase the Jamaican or Bahamian long-run capacity to transform itself by building up the infrastructure and the requisite skills. It is this national strategic planning that can determine the capacity of these countries for self-determined self-sustained growth and development. In the development of these strategies, a Developmental State generates not only the capacity to spread the use of modern knowledge and industrial techniques into all elements of the economic transformation so as to spur local industrial activities, but it also creates a dynamic basis for engagement in the world economy through higher levels of exports (Thomas 1974:58-60).⁴

Moreover, tourism is a very volatile industry making excessive dependence on it very risky. Single sector growth by its very nature neither maximizes the benefits of economic activity to the national economy as a whole nor allows this leading sector to impart the momentum that is necessary to drive the other economic sectors as the leading sector expands. Besides, Caribbean exports, in general, (Jamaican or Bahamian exports, in particular) have never developed on an initial platform of production for domestic needs and internal requirements. Instead, domestic production should be oriented towards satisfying domestic demand in the first instance, with export specialization occurring as an extension of this. The aim should be to bring about a general improvement in the competency and efficiency of the local economy, in the level of technological infrastructure it relies on, and in the quality of workmanship and service, so that more and more activities may become increasingly competitive.

Furthermore, as indigenous technology and skill formation are the basis for an organic integration of domestic production and demand structures, investment priorities and the choice of technique are determined by the strategies of transformation and diversification, and by the product choices to which these strategies give rise. The overall purpose is to

increase the capacity of the national economy to respond at the level of the government, firms, and the population as a whole.

This is a more feasible and realistic suggestion in light of the fact that these strata and decision makers which serve the powerful interests and ambitions of the hegemonic centers and the dominant transnational corporations are those which tend to reject the concept of endogenous development in Jamaica and in The Bahamas, and seek to maintain the economic and political order of a dependent productive structure by siding with backward-looking segments, officials and policy makers; by engaging in modern experiments with neoliberalism; and also as a result of deteriorating terms of trade, and the astonishing technological developments taking place in the leading industrial economies. However, only under such national strategic planning systems and well-conceived and vigorously executed development programs trade will serve a different function, because the national economy itself will be reoriented to serve different purposes.

Lastly, any economy is underpinned and imbued by social values, codes of behavior and ethics, which are in turn reflected in the structure and functioning of government institutions and private sector firms. As political will may not be clearly agglomerated and administrative capacity is inadequate in Jamaica and in The Bahamas, their governments have not been successful in indicating a clear course for the public sector to adopt. Yet, the adjustment of these countries' social and political conditions to their urgent social and developmental needs cannot be avoided. Hence, it would be necessary for Jamaica and for The Bahamas to adopt a number of measures to remodel their key social, economic, and institutional factors that will be required to provide the necessary underpinning (but the type and extent may be different) (Clayton 2001: 15). More importantly, these thorough development strategies assume a much better state action, and would require an efficient and competent administrative machine. But so does any strategy capable of overcoming barriers and laying down the basis of endogenous competency and growth in any developing economy.

Devising the necessary action to stimulate sustainable tourism development and local production growth, while raising the quantity and quality of productive investment necessary to allow the fullest and most efficient utilization of existing resources, seems to be a more sensible way to confront the future. Such an approach seems a better option for the endogenous development and competency of the local economy of these countries than a frantic search for accelerated, "Western-style modernization" – a "vision" that their decision and policy makers aspire to. The alternative and more realistic development paradigm would require the

pursuit of Developmental State strategies and policies. This is what both countries need (Lopez 1998: 19).

IV. DEVELOPMENTAL STATE POLICY CONSIDERATIONS

The recent neoclassical/neoliberal assertions (by the WTO, IMF and World Bank) with respect to the role of openness, external competition and closer integration with the world economy do not appear to stand up to serious examination either at a theoretical level or empirically, particularly when discussing the successful development experience of East Asian economies. According to these assertions, the greater the degree of international economic integration, the better it is for any particular economy or for the world economy as a whole. A corollary of this view is that the less the distortions from international competitive prices in an economy, the greater would be its economic growth (Singh 1998:63). Contrary to the neoclassical/neoliberal homilies about the virtues of “free mobility of capital and labor”, “free entry and exit of firms”, “reluctant market-conforming government intervention” and the importance of competition in the domestic and international markets (which constitute the main policy gospel for developing countries), the practice of the successful Newly Industrialized Countries has been rather different.

As in relation to the question of integration with the world economy, these countries appear to have taken the view that from the dynamic perspective of promoting long-term production-oriented intensive growth, investment and technical change, the optimal degree of competition is not perfect or maximum competition. The governments in these countries have managed or guided competition in a purposeful manner: it has been both encouraged but notably also restricted in a number of ways (Singh 1998:83-84). In fact, the successful East Asian economies had sought a “strategic” or “managed” but not a “close” integration with the global economy – that is, “they integrated up to the point where it was useful for them to do so” for promoting industrial development and endogenous competency (Singh 1998:79). Besides, in sharp contrast to the “current orthodoxy”, research suggests (e.g., Tyson 1992; Chang 1994; Singh 1995, 1998; Boyer & Drache 1996; Karagiannis 2002b – among others) that nations which do best in the global arena are those which –with strong domestic platforms- manage change and use their institutional arrangements to protect their national economies from international vagaries and disorder.

In the Caribbean context, the fundamental implication of the new trade initiatives is that Caribbean countries must compete actively for economic and social opportunity in the modern world. Also, under the

stabilization and trade liberalization components –advocated by the WTO, IMF and World Bank- the focus has been on “getting the prices right”, reducing the budgetary commitments of governments, restoring balance on both the internal and external accounts, and ultimately inducing further adjustments in the structure of production while engendering export-led growth. However, the truth about the region’s challenges to build competitiveness is more complicated than has been portrayed by the WTO. Four hundred and fifty years of failure to change their structure, mainly due to the effect of exogenous initiatives, is an important indication that the Caribbean markets do not work according to the price adjustment process and the associated substitution principle implied by the WTO’s analysis.

Caribbean countries in general (and Jamaica and The Bahamas in particular), can only deal adequately with structural and development-related problems through a supply-side response of dynamic firms and Developmental State action while involving the whole creative and strategic apparatus of the local societies. Indeed, the long-term solution is local production growth, diversification, rejuvenation and repositioning through capital accumulation, technological development and innovation, knowledge, skill formation and institution building, supported by suitable institutional and political initiatives and based on a long-term vision of development.

Moreover, industrial strategy has not been seen to be pivotal in Caribbean economies; thus, it has never been developed in a systematic or coherent fashion as a centerpiece of their governments’ approach to economic policy making. State interventions have usually been seen as reactions to pressing problems, and the policies which flow from these interventions appear to be consonant with the market failure analysis. Consequently, the general concept of a developmental role for the state is rather alien to the general economic and political culture in the region. Further, interest group politics and patronage explain why policy is often flawed in both formulation and implementation. This convergence of economic and political functions in Caribbean states in general, and in the Jamaican or the Bahamian state in particular, and the primacy of various political pressures and certain private interests, have had disastrous effects in their economic sphere.

Since the 1980s, neoliberal policies have been the central routes to modern economic solutions of local economies in the Caribbean. But there are serious doubts about whether these policies have been translated into significant social and economic development, endogenous competency, and industrial competitiveness. While appropriate macroeconomic policies can contribute much towards enhancing the performance of local economies,

nevertheless such policies only deal with the “symptoms” of deeper structural problems. For this reason, the construction of a production-based approach to economic development and a much sharper focus on strategic industrial policy are seen to be necessary to resolve these deeper problems, and would offer a concrete alternative for Caribbean economies. Given the above analysis, and taking the reality seriously into account, the following recommendations may be considered:

Macroeconomic Steering

An appropriate macroeconomic policy should pay particular attention to a faster, non-inflationary domestic demand growth. At the present time, a reduction in government expenditure is likely to reduce income and economic activity, thereby discouraging investments. Lower investments at the present time would mean less productive capacity in the future, and more difficulties in achieving economic growth and higher levels of employment. Also, action should be directed towards removing the imbalances between savings and investments, and easing the balance-of-payments constraints.

Neoliberals argue that government expenditure growth results in high fiscal deficits with adverse implications for confidence, job creation and economic growth. The irony is that the consequence of failing to take conscious fiscal action now is likely to perpetuate various economic problems. As the government has a range of different instruments for achieving these objectives, the main stimulus must come from fiscal policy and targeted investment. On the other hand, stabilization need no longer depend on the application of neoclassical/neoliberal policies, as stabilization objectives can be achieved within given volumes of government revenue and expenditure. Indeed, the economic effects of a country's budgetary policy depend upon the structure of taxation and the relationship between the type of tax revenue and the direction of government spending, as well as class struggle and the power which social classes, interest groups and powerful interests can exert on various state activities (O' Connor 1973; Laramie & Mair 1992, 1996).

Given the importance of macroeconomic steering, there are a number of measures that the state could take in an attempt to facilitate conscious development efforts. Fiscal policy can make an important contribution to growth and employment, and can help through reorienting government functions towards support of government and private investment and other spending conducive to endogenous growth, productivity and competency. Faced by the difficult realities of budgetary stress (especially in the case of the Jamaican fiscal crisis), a proactive fiscal policy would: (1) emphasize a

prudent government expenditure management and planning (i.e., long-term planned investments in human resource development and utilization, skills, R&D, technological capacity, technical change, innovation and information); (2) consider alternative sources of government revenue; and (3) attempt to reduce non-essential over-consumption.

The Jamaican and Bahamian consumption patterns of the Household sector are more reflective of a developed rather than a developing economy, and demand has been created for products and services in advance of these economies' productive capacity to deliver these items. As a result of the expansion in the service sector and the influence of the American consumption-driven model, both countries exhibit patterns of high consumption; the inevitable result is that actual levels of domestic savings remain low and are inadequate to finance higher levels of local investment. By curtailing high consumption, the amounts of local savings available for investment purposes could be markedly increased. In addition, various national savings plans and savings vehicles can increase the levels and shares of local savings. The savings thus enforced could be channeled by the government into productive prioritized investments. In addition, higher levels of output and income ensuing from a higher degree of capacity utilization and a better utilization of equipment can be the source of higher levels of savings required to match higher levels of investment (which will bring about further increase in output and income levels and so on).

Monetary policy, on the other hand, ought to: (1) ensure that the overall development effort is not to be thwarted by short-termism, speculative ventures, and "capital flight" (which can actually starve the real economy of investment capital); (2) provide a stable financial framework for the successful implementation of government policy; and, (3) ensure that sufficient financial resources are channeled to dynamic industries and to intermediary agencies at reasonable interest rates. This will require significant state intervention in the capital market by means of both direct control measures and interest rate policies. In particular, the government will have to issue direct instructions to the banks, close off the options available for rent seeking and capital flight, and guide prioritized investments by selective credit policies.

As financial institutions have a critically important role in this growth process, it is particularly important that they are well-managed, have a clear set of strategic goals, and promote longer time horizons. In this regard, the government must take steps to ensure that the financial services sector is properly supervised (Clayton 2001: 16). Therefore, appropriate monetary and exchange rate policies to facilitate productive initiatives (as well as

higher levels of national savings to finance higher levels of investment) are also essential.

Moreover, as the level of foreign direct investment may assist in alleviating short-term problems, many see foreign capital as the panacea for all the ills facing Caribbean economies. As foreign direct investment, now universally sought after, could make an important contribution to product differentiation and export development through the provision of capital, management, technology and marketing know-how, the approach towards foreign investment initiatives should be designed in the context of the long-term strategy for overall development. Besides, to find the appropriate role for foreign investment in the development process is a necessary complement to the strategy for expanding local production.

Investments on the Accelerators

Recent developments in the financial markets have significantly encouraged various speculative ventures and endemic short-termism. These developments, in conjunction with weak or absent state supervision, can foster a dysfunctional business culture and a “casino economy” mindset, in which insider trading, conflicts of interest and more direct forms of corruption can increasingly become common (Clayton 2001: 16).

Investments in Jamaica and in The Bahamas have usually been inadequate in failing to provide sufficient resources for future production as well as in bringing about the full utilization of existing resources. Consequently, a lack of effective demand and inadequate levels of investment spending and innovation constrain potential supply. Entrepreneurs appear to have lost their “spontaneous urge” to invest in longer-term projects and have themselves developed a rentier-like appetite for short-run capital gains. Besides, loans and financial schemes are seen to be partial, inadequate and unsuccessful measures for a successful local development, industrial competency and regeneration. “Market failure” has usually been the reason for loans, subsidies and other forms of financial support to businesses and firms in Jamaica and The Bahamas. These traditional incentive policies offer only marginal solutions, may encourage rent-seeking, clientelism and squandering, and usually recommend some temporary assistance, without getting at the root of the problems.

Further, some support the view that high total cost of economic activities in island economies is a serious barrier which discourages productive investments. The only logical alternative, then, is to consider the capacity-creating aspect of government expenditure, and Caribbean governments should rely heavily on higher levels of state investment. Indeed, special emphasis should be placed on capital accumulation and on

government finance and guidance of higher levels of investment spending: investment in people, machinery, technical change and its implementation. Planned investments on knowledge, technological innovation, manpower development, business expansion, the promotion of research, strategic management and development of entrepreneurship must provide the industrial requisites to thoroughly support the prioritized sectors and activities, and boost the overall competency of local economies, towards higher rates of economic growth and “high wages high productivity”.

The state as a direct player in the organization of investment was very much at the heart of Keynes’ thinking and constitutes an explicit long-term policy proposal that can be found in the *General Theory*. In this analysis, government investment has a key role to play in order to boost capital accumulation in service of development. Indeed, planned investments have much to do with production capability. Instead of subsidizing particular firms, the state can finance and, especially, direct the development and transfer of new technology and innovatory activities that can be used by specific dynamic industries in order to improve their efficiency, profitability and competitiveness.

Such a framework seeks to link endogenous technological capabilities and technical progress occurring in the targeted sectors, to growth and change in the local economy as a whole. These prioritized industries can utilize the modern knowledge –such as ideas for raw materials, product designs, manufacturing processes and, ultimately, commercial products- and transform this modern knowledge into new technologies and products. In addition to funding R&D, Developmental State strategies include government support of technical knowledge and new manufacturing techniques, especially to small firms and agribusiness, which often lag behind in technological development. As profitability – now and in the future- depend upon technical progress, technical change can be expected to influence the volume of investment spending and opens up new and more profitable opportunities for expansion.

This catalytic role by the government must seek to strengthen the knowledge base of the local society as a whole, by improving education and training; stimulating research and development; encouraging the development and diffusion of indigenous entrepreneurial skills; and supporting and financing information systems for use by the different actors in the economy. The key issue here is that investment responsibilities should be closely tailored to the needs of the business sector with a view to loosening the fetters and accelerating the pace of private sector investment (again, private investment on the “accelerators”

of endogenous development and competitiveness is highly desirable and essential).

While state intervention can have multiple beneficial effects, technically proficient investment planning at national and local levels is also required in order to support and develop indigenous resources, industries and firms; to add to the sum total of investment capital, skills and expertise, technical development, technological infrastructure, and services available; to enhance the opportunities for endogenous economic development, restructuring and diversification; and to improve social welfare in Jamaica and in The Bahamas (Karagiannis 2002a, b).

Strategic Management and Planning

The growth in dominance, the global perspective, interests and ambitions of the major financial and industrial corporations may cut across the interests of any particular nation. The fundamental issue relates to the asymmetry of power between these large corporations and local communities. As a result, communities in the Caribbean can suffer from the unrestricted activities of these transnational corporations (TNCs). This power can be used to secure their own objectives, often at the expense of local communities (Cowling 1990:12). Without intervention, local societies are involved in a negative-sum game. For this important reason, Caribbean states need national strategic planning systems within which to approach and position TNCs and foreign investments, and alter policy in their national interest. Otherwise, TNCs' strategies will inevitably become the national strategies of Caribbean territories, and this may have little correspondence to what is best for local communities.

In addition, the direction in which Caribbean economies are pointed at present seems to be somewhat random, depending on the current state of the global market rather than based on long-term development planning. Therefore, we have a strong basis for recommending a framework of, and establishing a role for, strategic planning in selected policy arenas in Jamaica and in The Bahamas.

The second and related reason for requiring strategic planning is the systematic short-termism of the market system, given that financial institutions usually adopt a short-term perspective with regard to investment spending, and impose this perspective on firms (industries, hotels, resorts, etc.), especially the small ones. Consequently, small or new establishments may be severely constrained in their investment ambitions by the short-term perspective of the financial institutions, since it is these firms (and hotels) which will find difficulties to fund their own growth.

This sort of financial environment is hardly conducive to the rational planning of the long-term future of the industrial base. Short-term decision making is crowding out long-term issues, and leaving businesses weaker in the long term. Therefore, within the Jamaican (or the Bahamian) economy, we need to establish an institutional structure to plan for the future. Just as there are systemic arguments for relying on the creative dynamics of the market forces to play an important role in these economies, there are parallel arguments for imposing on these market forces coherent strategies, within which they are allowed to operate (Cowling 1990:11-12, 13-14).

For local production to achieve its full potential, it is imperative that the state should stay focused and draw up thorough strategies for implementation. The key point here is the need for a strong developmental role for the state in order to raise the momentum of industrial change, and to ensure that such change fully reflects broader national interests. Most fundamentally, a mixture of inward and outward-orientation is suggested here, defined in terms of endogenous growth, productive capability and competitiveness, which should constitute the foremost priority of state action. Equally, the national government of these countries has a role in broadening stake-holding via support for the participation of as many native people as possible in the ownership of the local productive resources.

Effective functioning of the market and sound management of the national development agenda require the moulding of specific institutions, charged with the responsibility to organize the critical interactions between state and industry. Indeed, contrary to the orthodox analysis, the government and private sectors can cooperate in a range of different arrangements, each contributing what it does best and both participating in the financial returns, within the context of a socially defined agenda. This institutionalized public-private partnership will allow the state to develop independent national goals and priorities, and to translate these broad national goals into effective policy action. However, the consistent pursuit and transfer of specific strategies and policies to new environments will be self-defeating in the absence of appropriate politico-institutional conditions and reforms required for their effective implementation.⁵

Inward and Outward-Oriented Industrial Growth

Growth is governed by the growth of demand, and demand for industrial products leads to output growth and important efficiency benefits (such as capital accumulation, mechanization, structural transformation, reallocation of resources, learning and technical change), which induce further growth of demand. Indeed, the growth of industry represents a net

addition to the effective use of resources and can contribute to a higher degree of capacity utilization. Besides, a strategically focused production-oriented approach is absolutely necessary. For this reason, strategic industrial policy should be an important part of government policy-making, which means that “the state adopts a strategic view of future industrial development in the economy concerned and provides a range of support mechanisms to those sectors deemed to have a key-role to play in the future” (Sawyer 1992:8). This is clearly a process of industrial targeting, properly involving nurturing of prioritized sectors, which leads to product differentiation. In order to facilitate this process, the state should retain a strategic involvement in the market system taking on a central developmental role.

To the domination of Jamaica and The Bahamas by the foreign trade sector and the development problems and limitations associated with the structure of their economies, must be added the weak capability of their real sector; the inevitable result is low levels of exports and high levels of imports – i.e., current account deficits. In the context of the need to confront the absence of considerable technological capabilities and networks in both countries, in order to expand, rejuvenate and restructure local production, Developmental State action must support directly the development of indigenous capacity to make technology and therefore to alter products and processes in a self-reliant manner.

Clearly, these types of issues point to measures that are directly related to the competency and competitiveness of domestic firms. Building competitiveness through endogenous technological progress also requires active trade policy in the form of international market creation and market penetration. Indeed, aggressive export strategies for both Jamaica and The Bahamas must seek to strengthen their national capabilities first, if these economies are to improve their ability to compete at international level. The countries must actively trade if their economies are to be prosperous and successful, and factors such as technological infrastructure, human capital formation, promotion and support services must be brought to the fore. The national economy, seen in aggregate, will be defined as competitive if it can grow and make the changes in technology, and restructure its processes and products without running into balance of payments problems (that too requires supportive endogenous capital formation). This mixture of inward and outward-oriented development should constitute the foremost priority of thorough state action.

The need to focus attention on the expansion of new products/services and exports for the global market should not diminish attention to be given to other sectors and products. Expanding existing

local production and improving the competitiveness of traditional exports (through the application of new product development and modern production technologies) should remain an important objective. Expanding existing services (e.g., tourism, banking, entertainment) to include new products is also important, as there are complementarities and linkages between new and old sectors and activities (Bernal 2000: 110-11).

It is clear that the sort of state intervention described above, while pursuing a thorough supply-side strategy, is both a difficult and a dangerous project. It is difficult to identify certain areas of industrial activity on which resources should be concentrated and, as a result, tend to neglect others (the difficulty arises from the fact that the size of the local capital producing industrial capacity is likely to be a fundamental constraint). In an effort to safeguard local producers, it may also be potentially dangerous to continually protect certain areas of industrial activity from the discipline of international competition. Nevertheless, we have to face up to the consequences of selective intervention (Cowling 1990:20).

The proposed development-promoting links between tourism and agro-processing industry in Jamaica and in The Bahamas seek to: shape the agro-industrial landscape; allow the local capture of manufacturing value-added; provide externalities for favored industries; provide a clear thrust and direction for the development of these countries' technological base, scientific and technical expertise, and managerial competence; establish and strengthen the linkages between all sectors and activities of the local economy; promote diversification and raise efficiency, productivity and competitiveness; lessen the dependence of these economies; and, is a realistic and pragmatic response to their development problems.

The failure to thoroughly identify and aggressively pursue the key development policy and trade requirements of endogenous competency in Caribbean economies is perhaps the most important deficiency of the analyses and proposals guiding the WTO, IMF and World Bank, and those of the CARICOM Secretariat, the Caribbean Regional Negotiating Machinery (RNM), as well as many governments in the region. With a local capacity to create domestic capital (which is broadened here to include planned investments in the production of knowledge, technological development and institutions for productive purposes) Caribbean firms can create increasing returns, engineer product differentiation, and systematically and continuously deploy such initiatives to penetrate markets using strategic supply-side policies, no matter what the wind of change may be in the centuries-old international debate about free trade.⁶

Four hundred and fifty years of failure to change its structure is an important indication of the Caribbean technological dependence in established production systems, in a world economy driven by fierce competition through rapid technological change. Consequently, a major lesson of Caribbean history is that competing in the international arena requires integration into the world economy on different terms – economically, institutionally and politically- than those offered by metropolitan centers, transnational corporations and foreign investors of various types. In fact, Caribbean economies may have to integrate up to the point where it is useful for them to do so, for promoting self-reliant technological initiatives, endogenous competency, diversification and product differentiation. This may well require relatively less, not more, integration into the world capitalist system. Thus, should the Jamaican or the Bahamian government seek “close” integration and free trade with the Western Hemisphere and the world economy seems to be an interesting question, which may result in serious policy dilemmas.

Cooperation, Growth Poles and Clusters

The “New Competition” literature identifies the cooperation among small firms in areas which are normally subject to strong competition (e.g., re-skilling, R&D, innovation). Enough evidence exists to show that the economies which are able to generate more effective long-term-oriented cooperative arrangements regarding (technological and organizational) learning and investment spending (in human and physical assets) are likely to outperform the countries that largely rely on classic free market mechanisms.

Moreover, given the Caribbean countries’ traditional disadvantages and diseconomies of scale, scope and space (as well as their susceptibility to volatility of income and vulnerability to natural and environmental disasters), growth pole strategies in the region is a pragmatic response to the perceived constraints associated with small islands. More specifically, growth pole strategies in the Caribbean would seek to promote specific propulsive industries and sectors with economic dynamism and high potential, which would then be capable of spilling their expansionary forces into depressed neighboring areas within the region in order to counter-balance the power and interests of Western multinational or transnational corporations. Indeed, by supporting the broad base of indigenous technological accumulation and innovation, growth pole strategies would create greater external economies and economies of scale, thereby dealing with issues of scale and scope. The existence of these external economies would create conditions and opportunities conducive to faster growth of

existing and incoming industry in the Caribbean, and therefore would make the growth centers more attractive for new industrial development (Karagiannis 2002b:146).

Similarly, Caribbean states may emphasize 'clusters' as important engines of industrial growth. The effects of these clusters would be to bring together key players in economic development, upgrade technological infrastructure and skills, accelerate learning and innovation, induce the exchange of important technical and market information, stimulate the formation of new businesses, improve managerial capacity and entrepreneurship, reduce investment risks, and increase profit margins and economic growth rates (Karagiannis 2002b:146-47).

Production and Operations Quality

In this technological age, a quality emphasis should encompass the entire organization of local production, from suppliers to customers, including: equipment layout; purchasing and installation of proper machinery and equipment; layout strategy (e.g., capacity needs, inventory requirements, etc.); facility location and expansion; supporting facilities and utilities; products technology training; maintenance training; sanitary arrangements and utility specifications; refrigeration specifications; implementation of quality control programs; and just-in-time decisions and scheduling.

For both local firms and the national economy as a whole to compete effectively in the global economy, products and services must meet global quality and price expectations. As Jamaica and The Bahamas (and the whole Caribbean area) face crucial challenges, especially in light of strong international competition, it is essential to ensure that quality standards and value for money are improved. Inferior products will harm the firms' revenues and profitability, and will further deteriorate the balance of payments of Caribbean economies (Heizer & Render 1996:79-80).⁷

V. CONCLUSIONS

This paper has sought to establish the basis for strategic state intervention in the Bahamian and Jamaican cases; it has described the form an endogenous development strategy should take; and it explained important issues surrounding the development-promoting links between tourism and local agro-processing industry. Finally, suggestions were made for an alternative Developmental State policy framework for Jamaica and The Bahamas.

To begin to be successful will require a high quality of state intervention and a certain degree of commitment by the government to

local development. There is no need for vast bureaucratic machinery and procedure: the approach is clearly entrepreneurial. Such an approach will utilize and maximize the productive resources available for the development of local industry; aggregate demand for the accelerators of development and growth; promote cross-sectoral links, and create economies of scale across a range of industries and firms; and, finally, identify inefficiencies and gaps to adequately develop and use new products and processes –enabling both public and private policy making to be better targeted.

The current conditions in world economy may increase the potential advantages of pursuing governed market policies. Indeed, contrary to the “current orthodoxy”, the accomplishment of these strategic development goals requires better state action, and this is most likely achieved from Developmental State policies. This is what the Jamaican and the Bahamian economies need. What really matters is not the “extent” of state intervention but the “quality” of such intervention.

Notes

- 1 Girvan *et al.*, “The IMF and the Third World”, p. 155. See also Girvan 1971.
- 2 Although there are similarities between Jamaica and The Bahamas, there are also distinctive differences between the two countries.
- 3 Both analysis and development recommendations are based on the views of Kalecki (1971) and Kaldor (1978).
- 4 It is argued here that, even under the current conditions of globalisation and the pressures from international organisations such as the WTO, IMF and World Bank, governments still have room for Developmental State action.
- 5 For further discussion on these politico-institutional reforms, see Karagiannis (2002a, 2003).
- 6 See James, V.N., Henry, R.M. and L.A. Barclay (2002), “The New Trade Initiatives and Caribbean Realities”.
- 7 The paper seeks to offer concrete considerations in selected development policy arenas and not to discuss specifics about how the suggested policies are likely to be executed and how they might play out in these similar but different economies (for example, monetary policy in the fixed exchange rate regime of The Bahamas versus the flexible regime of Jamaica).

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