The Practice of Economic Management: A Caribbean Perspective - A review by Dr. Thomson Fontaine

In this compelling selection of 22 essays, Dr. Courtney Blackman, the founding governor of the Central Bank of Barbados, lays out a clear and concise description of economic issues affecting the Caribbean within a broader political context. The essays are sharply critical and insightful in their analyses of economic policies set within the context of small developing Caribbean economies and their unique colonial histories and cultures. The lessons drawn, however, are not limited to the Caribbean region; all have larger global significance of their own.

Interestingly, although he is a trained economist, Blackman approaches his essays from a more holistic and managerial point of view. The book encompasses other disciplines such as sociology and history, rather than focusing on world prices, exchange rate regimes, and more traditional economic fare. Blackman stresses the importance of mitigating the impact of economic policies on people, and in doing so, sometimes appears to be at odds with the more traditional prescriptive approaches to economic policymaking. In taking on economic issues within the Caribbean region, Blackman argues rather forcefully that the underperformance of these economies largely reflects weak economic management. To address these issues, he advances a selection of essays that are heavily prescriptive and laden with a host of suggestive policies and strategies.

Blackman is able to explain otherwise complex economic issues with a level of clarity and simplicity that even the casual reader can understand. His emphasis on sound economic management practices and a culture of management is insightful. In his view, the returns of sound economic management to small countries are far more pronounced than the returns to large countries. As a result, decision makers in small developing economies should not unquestionably accept foreign ideologies and theories. Rather, they should develop the art of critical thinking and strategies rooted in their own national interests.

Dr. Blackman writes from a historical perspective to comment on what he perceives to be the failings of the Marxian and New World radical views of the 1970s and early 1980s. Within "Development and Management: Contending with the Left," he laments the failure of states like Guyana, Grenada, and Jamaica that "zealously pursued the statist policies promoted by the 'New World' and Marxist-Leninist paradigms." He notes that these countries sustained grievous economic and social setbacks from those policies. On the contrary, other Caribbean states that pursued pragmatic and conservative economic strategies all made significant economic progress during the same period.

Challenging the economic prescriptions that multilateral institutions promote for developing countries, Dr. Blackman is as critical of the "doctrines of the right" in the 1990s as he is of those of the left in the 1970s and 1980s. His case against International Monetary Fund (IMF) and World Bank economists is that "their prescriptions hardly distinguish between industrialized economies with highly developed goods and capital markets and lesser developed economies with poorly developed or collapsed markets." Dr. Blackman goes on to comment on the unrealistically short time horizons for these institutions' structural adjustment programs.

In pressing the issue of misplaced economic advice from multilateral institutions, Blackman points to the international financial crisis of the late 1990s. In Section Three, "The Washington Consensus: Contending with the Right," he observes that the developing countries that had opened their financial markets to unrestricted capital flows all suffered economic decline. In particular, Guyana and Jamaica, which in his view were "pressured" into making such decisions, sustained severe harms. Indeed, Blackman argues that these capital inflows dramatically increased countries' debt burdens, thus effectively stifling their growth.

Blackman's critical views should not be taken lightly or dismissed. He espoused these same views during his 15 years as Governor of the Central Bank of Barbados when he was able to fine-tune many of his policy prescriptions. His major source of departure from the IMF-World Bank economic doctrine is over the concept of stable equilibrium and the efficacy of the free market. To underline his case, he dramatically highlights Barbados' revaluation of its currency by upwards of 10 percent after it realigned from the pound sterling to the US dollar in July 1975. Blackman notes that the country "went on to enjoy five of the most prosperous years in [its] economic history" and has "maintained that parity ever since." During the high inflation years of 1973-74, his country rejected the prescription of positive real interest rates and saw a dramatic fall in inflation just two years later. Rather than opting for approved global credit controls, his country applied selective credit controls with positive results. The one caveat is that it may not be possible to apply these lessons to other countries, since Blackman did not elaborate on the other key underlying factors which would have contributed to the success of his policies.

Blackman does demonstrate an understanding of the diverse issues confronting the Caribbean. These range from political and economic integration to national productivity, income policies, and the Caribbean business environment. An interesting inclusion is his attempt to trace the roots of regional underdevelopment, which he views as being essentially an issue of economic under-management. He laments the Caribbean's predominantly political culture in which positions are filled and decisions taken at the expense of economic progress. In response, he calls for government investment in a sound management culture that focuses on developing a vibrant private sector, stimulating entrepreneurship, developing a cadre of professional managers, and increasing the accountability of top management.

In a departure from the earlier sections, the final chapters in section Five on "The Barbados Experiment" highlight the success of the Barbadian economy since colonial times. Blackman skillfully outlines the development of the economy during pre-colonial times, the immediate post-WWII period, and the decades since then. In particular, the early years of the 1990s appear to have been the most difficult for the country since it "labored under the stern IMF conditionalities, which involved higher taxes, reduced government expenditure and savage cuts in government personnel."

While the book is heavy on economic prescriptions, its main problem is its lack of emphasis on analyzing some of the problems in the first place. Part of this shortcoming has to do with Blackman's almost complete dismissal of mainstream economic thought in defining the problems of small developing economies. The fact that Blackman blames a number of economic failings almost exclusively on weak economic management may also be viewed as a bit simplistic. Indeed, questions of human and technical capacity, cultural norms, and history (particularly that of a colonial past) all play a role in determining a country's economic outcome. Despite these weaknesses, though, the book is still a useful guide in understanding the dynamics of policymaking in the Caribbean in general, particularly in Barbados, which can be considered one of the world's true economic success stories.

Indeed, the major strength of The Practice of Economic Management is the sheer amount of practical lessons that can be drawn from Blackman's experiences as governor of the Central Bank of Barbados. The very success of the Barbadian economy derives from policymakers' willingness to have a firm belief in their own economic prescriptions, even when they are at odds with more orthodox economic theory.

The idea of not readily surrendering one's own independence of economic thought is something to be admired. This is all the more true when, in retrospect, the decisions taken prove to be correct. Blackman's book shows that policymakers need to have a thorough understanding of their own countries' dynamics and interactions with the rest of the world. This is even more important when considered within the context of globalization and the increasing marginalization of small island economies.

[Sidebar]
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[Author Affiliation]
THOMSON FONTAINE is an economist at the International Monetary Fund (IMF). He is also an executive member of the **Dominica Academy of Arts and Sciences** and President of the Caribbean Association of World Bank IMF Staff. The Practice of

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Juanita Lynch
Information Resource Associate
U.S. Embassy
Wildey Business Park
St. Michael, Barbados
Tel: 246-436-4950 ext. 4102
Fax: 246-429-5316
E-mail: lynchjh@state.gov

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