

*Review*

# Framing the Bahamian developmental state: An alternative policy package to neoliberal failure

Nikolaos Karagiannis\* and Zagros Madjd-Sadjadi

School of Business and Economics, R. J. Reynolds Center, Winston-Salem State University  
601 Martin Luther King Jr. Drive, Winston-Salem, North Carolina 27110, USA.

Accessed 19 January, 2019

This paper examines the possibility of a proactive role for the Bahamian state in support of the country's national development: A case of a small open economy with a colonial past in a globalised economy. The first part provides a critical evaluation of the Bahamian economic development and trade during the last four decades. The discussion in this section relies mainly on the performance of the merchandise (visible) trade of the economies of the Caribbean and the Bahamas. Consequently, the policy focus in the subsequent sections is on the significant expansion of local commodity production in The Bahamas. The second section seeks to chart a Bahamian Developmental State framework while discussing the mutual benefits between tourism and agro-industrial development on the grounds of local production growth, endogenous competency and overall competitiveness. The final part identifies key strategic requirements and offers alternative policy considerations based on the developmental state line of argument.

**Key words:** Strategic intervention, industrial targeting, endogenous competency, competitiveness, the Bahamas.

## INTRODUCTION

The make-up of the Bahamian economic model is strongly tied to tourism growth, development of financial services, foreign capital inflows, foreign dominance of its leading sectors, and government revenue collection by way of indirect taxation (mainly import duties) while avoiding taxes on incomes and corporate profits.

Mass tourism has been seen not just as a sector capable of creating incomes and jobs for the country's inhabitants and earning important foreign exchange but as one of the most dynamic industries for its future economic development. However, tourism has made The Bahamas highly dependent on the international political economy and foreign exchange as well as vulnerable and susceptible to the vagaries of the global environment and external shocks.

This paper examines the possibility of a proactive role for the Bahamian state in support of the country's national development: a case of a small, open economy with a colonial past in a globalised economy. The first part critically evaluates the Bahamian economic development and trade during the last four decades, and the second provides a Bahamian developmental state framework while discussing the mutual benefits between tourism and agro-industrial development on the grounds of local production growth, endogenous competency and overall competitiveness. The final section identifies key strategic requirements and offers alternative policy considerations, based on the Developmental State argument.

## THE BAHAMIAN DEVELOPMENT AND TRADE

The economies of the Caribbean and the Bahamas are technologically and structurally dependent as there is a

\*Corresponding author. E-mail: [karagiannisni@wssu.edu](mailto:karagiannisni@wssu.edu). Tel: (336) 750-3457/2398.

great divergence between their pattern of domestic demand and the type of goods supplied. Indeed, although wide fluctuations in the value of merchandise trade occurred during the last four decades or so, indigenous initiatives could not result in widespread demand and supply breakthroughs to transform the structure of local economies while tourism has largely replaced traditional economic activities. According to available statistics, the value of total imports exceeded that of exports (Trinidad and Tobago is an exception), while USA and Canada are their main trading partners (with the exception of Cuba).

With particular reference to The Bahamas, most economic transactions are related to foreign trade (Higgins, 1994). The country's agricultural sector is so small that more than 80% of food consumed locally has to be imported. The inability of domestic food production to satisfy the growth of demand, stemming from the increase in population and tourists, has led to a rapid rise in the food import bill (Eneas, 1998) and deterioration in the balance of payments. This reliance on imported food has meant that the tourism sector has been unable to spread the benefits to other sectors of the local economy and to retain more tourism earnings within the archipelago (Karagiannis, 2002a).<sup>1</sup>

Indeed, it is the lack of local initiative in production and supply which is at the heart of the economic development 'disorder' in The Bahamas. Exporting is concentrated within a narrow range of primary products and is highly dependent on metropolitan markets (mainly the USA). Exports of a number of products have seriously declined throughout the 1990s; other domestic exports have experienced ups and downs over the same period, although reduced quantities have been partly offset by price gains (Department of Agriculture; Department of Statistics; Nassau, 2000).

The attitude towards the agricultural and fishing sectors in The Bahamas has been significantly affected and shaped by official policies in addition to neglect over the years (that is, inadequate incentives, absence of relevant and up-to-date techniques, lack of proper organisation, etc.). Manufacturing is also very limited in The Bahamas while offshore manufacturing companies produce for the export market. In fact, the negligible manufacturing value added has been declining since the late 1980s - it decreased sharply particularly in 1995 - even though offshore manufacturing companies, primarily for the export market, recorded an advance in the mid-1990s (The Central Bank of The Bahamas, 2000). Clearly, the economy has faced repeated difficulties in merchandise exports due to shifts in external demand and prices during the last three decades. Given its small manufacturing sector, exports of manufactures are insignificant in the Bahamian case. Besides, the shifts in the structure of technology and product in the manufacturing industry abroad created difficulties of technological competency and rising costs.

On the other hand, the value of merchandise imports

increased dramatically during the past three decades. Indeed, The Bahamas has had phenomenal growth in imports, particularly manufactures and food, over the same period as the country's imports of manufactures increased tenfold from 1980 to 2000 (EIU, various issues; UN-ECLAC, various years; UNCTAD, various years). Indeed, the levels of imports, and therefore the propensity to import, are high. Evidently, there have been dramatic changes in the composition of imports as well as a significant downward trend in the Bahamian external trade, that is, merchandise trade deficit crisis since the 1990s (Table 1).

Due to the openness of its economy, the country has a high preponderance of imports *vis-à-vis* exports. The available data illustrate a lack of aggressive export policies as the Bahamian economy has lost competitiveness in international trade since 1989 (The Central Bank of The Bahamas, *Quarterly Statistical Digest*, various years). Therefore, trade becomes not simply evidence of the structural dependence of The Bahamas but, more importantly, serves to maintain centre-periphery relations of unequal exchange.

Moreover, the excessive dependence of the Bahamian economy on the foreign sector manifests itself in two crucial areas. First, the private foreign capital has been assigned a large role in the local growth process. New foreign investment usually assists in alleviating short-term problems while, at the same time, perpetuating and deepening the country's state of dependence. As the ratio of foreign to domestic finance in capital formation is high, both the level and rate of accumulation become highly dependent on the volume of foreign capital inflows. Depending on the perception of the importance of foreign capital to the Bahamian economy, however, this could dictate the whole tone of government's policy and action. Besides, one of the most important effects of foreign investment, particularly in small societies like The Bahamas, is its potential for stunting the growth of local enterprise and initiative (Ramsaran, 1983: 45).

Second, although tourism is a low-skill low-technology sector, the country still has to rely, to a significant extent, on expertise requirements and foreign skilled manpower necessary for the functioning of the economic system that has emerged over the last four decades. As so much of the Bahamian national output and income is dependent on the foreign activity, the rate of domestic accumulation and the transfer of technology from the metropolitan capitalist centres to the local economy are highly dependent on the pattern and rate of foreign capital inflow (Ramsaran, 1983, p. 45).

The above discussion suggests an unsatisfactory performance of the Bahamian agricultural and manufacturing sectors during the past four decades, which have been bedevilled by superficial in scope and nature, partial, inconsistent, ineffective and unsuccessful policy making. This situation has derived from a range of constraining factors: short-sightedness in the placement

**Table 1.** External trade, the Bahamas: 1991 to 2009 (B\$, 000).

Year	Total exports	Total imports	Trade balance
1991	188,968	971,323	(782,355)
1992	187,290	920,829	(733,539)
1993	162,293	877,641	(715,348)
1994	163,704	957,258	(793,554)
1995	175,890	1,086,651	(910,761)
1996	180,013	1,171,622	(991,609)
1997	181,392	1,473,533	(1,292,141)
1998	300,322	1,703,674	(1,403,352)
1999	389,095	1,578,770	(1,189,675)
2000	471,853	1,794,937	(1,323,084)
2001	307,039	1,635,942	(1,328,903)
2002	298,198	1,600,835	(1,302,637)
2003	340,351	1,616,895	(1,276,544)
2004	363,565	1,690,140	(1,326,575)
2005	388,082	2,059,318	(1,671,236)
2006	415,828	2,375,340	(1,959,512)
2007	502,448	2,488,023	(1,985,535)
2008	560,009	2,354,064	(1,794,055)
2009	498,531	2,239,333	(1,740,802)

Source: The Central Bank of the Bahamas, Quarterly Statistical Digest, Table 7.2, 2008 and 2010 (parentheses denote deficits).

of priorities and the allocation of resources; low national capability in planning and implementing agricultural and industrial policies capable of stimulating local production growth, diversification, linkages and competency; inadequate emphasis on the 'accelerators' of development, managerial competence and direction, marketing techniques and facilities; limited state investment resulting in a reduction in incentives and deteriorating physical infrastructure; fragility of the natural resource base; unavailability of long-term productive credit; high reliance on imported inputs and equipment; and various politico-institutional impediments. For all these important reasons, government policies must come under serious review, especially when the economic structure has undergone no fundamental transformation and where dependence has been more strongly entrenched or merely changed its form (Karagiannis, 2002a: 47-48).

Some development-related problems of the Bahamian economic model are: unstable economic growth and job creation; inadequate levels and shares of investment and saving; public finance challenges, problems and limitations, including inadequate government capital expenditure and social spending; and rising total national debt. Economic growth in The Bahamas has been weak and unstable during the last three decades. Real GDP grew by only 1.4 and 1.2% on average during the periods 1981-85 and 1986 to 1990 respectively, decreased by -0.3% over the period 1991-95 (the impact of the Gulf War has to be considered here), and increased by 4.3, 1.6,

and -0.4% over the periods 1996-2000, 2001 to 2005, and 2006 to 2010 respectively (Table 2). Also, in the Budget Communication (2002/2003 and 2010/2011), we can see the negative impact of both September 11, 2001 and the current financial crisis on the Bahamian economy ([www.bahamas.gov.bs](http://www.bahamas.gov.bs), 'The National Budget').

Savings levels are very low and are inadequate to finance higher levels of productive investment. In addition to this macroeconomic imbalance between savings and investments, the government has placed inadequate emphasis on social and welfare policies and on the importance of capital expenditure. On average, Government Capital Expenditure as a percentage of Total Government Spending decreased from 14.4% over the period 1987 - 1992 to 12.3% during the period 1993 to 2000; however, this percentage has increased slightly since 2001. In addition, the total national debt is now above \$3.9 billion (or 53% of GDP) (Budget Communication, 2010). The insufficient attention to the Bahamian national debt may stem from the nature and scope of the national debt. In fact, debt repayments have already exceeded capital expenditures in the national budget, and despite the fact that the Bahamian GDP has become more than double since 1993, the country's total national debt has not returned to lower levels (Table 2). Thus, a review of the relevant statistical information shows that all is not well, and that alternative development policies have been totally ignored. In this regard, strategic state action is necessary, not only in the agricultural field but also in

**Table 2.** Bahamas macroeconomic indicators and national debt: 1996 to 2007.

	1996	1997	1998	1999	2000	2001
GDP (B\$ billion)	3.60	3.84	4.28	4.70	5.00	5.13
Real Growth (%)	4.2	5.0	6.8	4.0	1.9	0.8
Prices (%)	1.4	0.5	1.3	1.3	1.6	2.0
Unemployment (%)	11.5	9.8	7.8	7.8	7.8	6.9
National Debt (B\$ billion)	1.54	1.70	1.78	1.88	1.93	1.98
National Debt (% GDP)	43	44	42	40	39	39
	2002	2003	2004	2005	2006	2007
GDP (B\$ billion)	5.38	5.51	5.64	5.98	6.23	6.64
Real Growth (%)	2.3	1.0	1.3	2.5	3.4	4.5
Prices (%)	2.2	3.0	0.9	2.2	1.9	1.9
Unemployment (%)	9.1	10.8	10.0	10.2	7.6	7.9
National Debt (B\$ billion)	2.22	2.40	2.53	2.73	2.88	3.06
National Debt (% GDP)	41	44	45	46	46	46

Notes: The 2007 figures are based on IMF, World economic outlook, April 2007. The GDP and National Debt figures (B\$ billion) are at current prices. Sources: Budget Communication 2007/8 and 2009/10, Tables I, IV and VI; The Central Bank, Quarterly Statistical Digest, November 2008 and 2010; Department of Statistics, 2009.

the small industry sector due to their potential and linkage possibilities to tourism. As the country has been overly slow to develop and diversify its local production lines, the government needs to fully recognise the importance of agro-industry, and formulate and implement strategies and programmes that will create development-promoting links with the services. It is only in this perspective that a consistent set of endogenous development strategies and policies can be framed (Karagiannis, 2002a, pp. 49-50).

The key trade policy would have been to focus on aggressive import substitution and export promotion. However, despite the adaptations and applications of policy over the years, government efforts have not yet resulted in a rapid development of product and process innovation and hence in the sufficient degree of dynamism in the structure of the Bahamian economy as a whole. In this context, efforts at institutional and policy levels to boost local competency and competitiveness and engage successfully in the fierce international competition have been to-date dismal.

The Bahamian economy is a one-and-a-half crop economy, with tourism as the one and financial services as the half. Concern over this heavy dependence on tourism has, over the years, stimulated thoughts and studies aimed at assessing the potential for agricultural, fisheries and livestock development in The Bahamas, while emphasising the most suitable methods that can be employed under Bahamian conditions. Therefore, there appears to be a growing interest in the encouragement of the food producing sectors, although no overall development framework has yet been articulated. All these major problems, identified above, are crucial to the transformation of Bahamian traditional primary activities

into dynamic and modern industrial sectors capable of making a more significant contribution to the country's self-determined economic growth (Ramsaran, 1983: pp. 32-33; Karagiannis, 2002a).

Given the pressing need to develop a diversified economic structure with a high degree of sectoral inter-relationship, ad hoc and 'piece-meal' approaches to endogenous development should be replaced by long-term plans formulated within broader economic policies and aimed at a more efficient utilisation of the country's resources. In fact, the whole range of state policies with respect to production, employment, finance, foreign exchange, etc. could be more efficacious within an agenda of complementary action and with the broader objective of achieving some 'balance' in the economy. In this regard, encouragement of Bahamian food production should be seen as an integral part of the whole development process, capable of contributing to production, income, job creation and balance of payments (Karagiannis, 2002a; 2007).

## CHARTING THE BAHAMIAN DEVELOPMENTAL STATE

Developmental policy cannot exist in a vacuum but instead must consider the institutional matrix that surrounds it. Institutions matter, not only because of deep-rooted feelings for tradition, which tend to retard progress, but also due to their instrumental qualities that allow us to advance policies. This dualistic nature of institutions is manifested in the Veblenian dichotomy and requires us to acknowledge that all human endeavours must occur within the context of the institutions that

shape and define our respective societies (Miller, 1998: 18-19). This role cannot be overemphasised. Time and again, market innovations cause technological changes that cannot be coordinated by existing institutional structures. These changes end up requiring the destruction or rearrangement of existing institutions so that economic progress may continue. Thus, the Schumpeterian process of creative destruction not only coalesces in a reinvention of production but also the institutions within which production occurs (Yu, 2001).

Within the context of the Bahamian Developmental State, there are powerful historic forces that define the role of the government and foreign capital in the mind of its participants. Hence, changes that seek to reform existing structures face severe challenges that may cause upheavals in the socio-economic milieu and thus may be politically problematic. Yet, without such changes, the state will face a catharsis that renders public policy ineffective at best and counterproductive at worst with respect to economic development.

Reformers must, therefore, consider not just the outcome of the process, but the process itself, in attempting to tip the debate in the direction of those who seek a developmental state approach. Yet, the lack of political will to challenge the power elite through a political process means that the process will be highly controversial (Marshall, 1998: 190).

Developmental state action can alter or channel the basic competitive advantage that exists in each country. This means, at times, enhancing existing capacity to be able to capitalise on changes in the world economy that are compatible with these pre-existing advantages or, alternatively, destroying existing competitive advantages to gain new ones when such changes are inimical to the long-term viability of such firms (Karagiannis and Madjd-Sadjadi, 2007).

Yet, too often, the former policy is put in place exclusively. Whether it is having too much faith in neoliberal adjustments or a desire not to 'rock the boat', existing Bahamian policy rests on three legs of a stool: expansion of commercial activities, socially-ameliorative programmes to assist the growing population, and tourism as the end-all be-all Bahamian activity. But this 'business as usual' approach relies exclusively on ad hoc approaches that sacrifice long-term socio-economic development for the sweet nectar of short-run gains (Marshall, 1998: 194). Of course, 'in the long run, we may be dead', but living exclusively in the short-run guarantees decline as circumstances change.

Bahamian society needs policy makers who can think 'outside the box' and institute the regime changes that restructure existing institutions to promote local agro-industrial development. But these changes cannot occur without the state working hand in hand with market participants to reshape the economy through targeted sectors. Investment needs to be increased in both quantity and quality and linkages with civil society need to be

strengthened so that market and state do not work at cross-purposes with one another and waste valuable factors of production on projects that would further lock The Bahamas into a low-growth mode for some time to come. The impetus for this collaboration will likely have to come from indigenous entrepreneurs themselves if they wish to enter the industrial sector (Marshall, 1998: 191 and 196).

Due to a need to conserve foreign exchange, strategic planning needs to be limited in focus to the local agricultural and manufacturing sectors with a mandate to work towards these objectives:

- i. To provide a sense of overall direction to the overall evolution of the economy. The vision which should guide a distinctively Bahamian production-oriented approach is summarised as agro-industrial development, industrial upgrading, regional rejuvenation and structural transformation;
- ii. To formulate and implement land-use planning measures. To this end, greater local ownership of productive assets as well as a generous land policy in favour of black Bahamians should be of great importance;
- iii. To deploy strong institutional vehicles in order to mobilise industrial financing and channel mainly local capital into those targeted sectors identified for development; and
- iv. To coordinate investment expenditure both to expand local agro-industrial production and to strengthen forward and backward linkages between all sectors of the local economy.

To achieve these goals, the state will bring together various interest groups representing the public and private sectors, as well as the broader society, to generate consensus on strategic goals to be supported and implemented by efficient, well-educated and well-trained technocrats. The strategic planning process that takes the country to the next level must be democratic and inclusive at all levels. Participation is one of the defining features of the process itself that allows everyone in society to 'buy-in' to the objectives that are defined. In the absence of such participation by 'social partners', marginalised groups will resist change in both the production and political processes (Cowling, 1990: 28).

The key is to not allow short-term issues get in the way of long-term vision. Unemployment, balance-of-payments problems, asset bubbles, and panics, all cause politicians to be tugged to sacrifice the long-term strategic vision for the short-term ad hoc solution (Ramsaran, 1983: 378; Karagiannis, 2002a: 15). Ironically, the inability to have a coordinated strategy has limited the ability of tourism to contribute to social and economic development in The Bahamas.

The key problem is a lack of backward and forward

linkages to the domestic economy. The tourism industry suffers from a severe compartmentalisation that limits the benefits to The Bahamas and exacerbates the exposure to the rest of the world. Essentially, The Bahamas is, in a word, hyperlinked to the rest of the world economy because of its overreliance on imports, whereas sustainable tourism could serve as an engine for growth in other sectors. Exploitation of network externalities and agglomeration economies to spill over into other sectors of the domestic economy would allow for import substitution and the reduction in the need for foreign exchange. In addition, the domestic provision of food and beverage would make The Bahamas more food secure and increase freshness of available products. The upgrading of complementary and related service industries such as information systems and communication will help aid the development and growth of both tourism and the agro-industrial sector as well as enhance the Bahamian competitiveness in the global knowledge economy. However, it should be noted that both of these strategies are more import substitution rather than export oriented in direction, which will serve to dampen the exposure to world crises inherent with utilising tourism as the principal economic avenue.

Hence, the mutual benefits between tourism and agro-industrial development linkages can go a long way towards building endogenous competency while developing a supplier base that is stable, reliable and, perhaps, less energy-dependent. This is critical going forward as energy usage will likely have to be retarded in the face of global warming.

The need for such linkages is particularly pronounced in The Bahamas due to foreign exploitation and an underutilization of domestic resources, which means that the economy is currently operating far below capacity.

As such, policies to increase aggregate demand can significantly boost the country's development. However, to take advantage of this capacity deficit, special consideration needs to be given to the international competitiveness of the economy. This is because it does not make sense for companies, either local or foreign, to source from domestic producers unless those producers either are currently competitive, or can become competitive once guaranteed access to a market, with international producers (Karagiannis, 2002a: 61).

A second aspect of any successful intervention strategy must address the fact that to reach a competitive level, businesses require the business confidence and acumen to successfully invest in their workers and machines so as to compete on an equal footing with international firms. Fiscal policy can address this with strategic infrastructural investments and improvements in human capital formation (Karagiannis, 2002a: 61). Monetary policy needs to provide capital at internationally competitive rates of interest. The Bahamas is aided in this regard by tying its currency to the US dollar. Still, it can do more by utilising a directed credit programme to

ensure preferential rates for critical sectors of the economy. If the development plan is made judiciously, the result should be high output, profits, and savings (Karagiannis, 2002a: 61 based on Kalecki, 1971; and Kaldor, 1978).

At the same time, there can be both firm-specific and economy-wide bottlenecks that do not allow for efficient capacity utilisation. In both cases, this requires serious study to ensure that these bottlenecks are eliminated and points to the need for an industrial policy to address these concerns. Sector targeting can help in this regard. By concentrating the national resources on a few key areas that have high growth potential and organised around certain firms (e.g., P. W. Albury & Sons, Sawyer's) that show the ability to dynamically address these challenges, the government can accelerate endogenous competency and growth, ensure an adequate supply chain for these companies, and assist in the restructuring of labour agreements. Therefore, government policies need to be coordinated around this national strategy to ensure a smooth transition for agro-industrial growth and allow for a reconciliation of elements that would impede this progress.

This is not to say that short-term issues should be ignored nor are we arguing that one should 'make the perfect the enemy of the good'. Instead, we are suggesting that to ignore long-term realities because of short-term problems is a recipe for disaster. Thus, while we must address short-term economic challenges, we must always do this with an eye to the long-term industrial policy that aims to reduce dependency on foreign imports, strengthens technical capacity, and promotes skills and innovation. Such a policy would allow for improvements in the short-term and allow The Bahamas to become a more structurally efficient economy in the long run. By always keeping national strategy at the forefront of policy-making, such as by investing in labour force skills development that serves the needs of targeted industries, short-run aberrations will be corrected faster and investment growth will accelerate, making it easier to make technological and productivity improvements and to raise capital accumulation rates (Karagiannis, 2002a: 62, and for further analysis see Kaldor, 1978).

All of these steps require a technically proficient government sector that has the ability to engage in strategic planning. The result of this effort will be to build up the infrastructure and labour force skills to enable the national strategy to succeed. A Bahamian Developmental State will work towards self-determined self-sustained growth and development by spurring local agro-industry to be able to compete effectively on both the local stage and internationally.

However, contrary to neoliberal thought, it is not sufficient to simply work towards export-orientation in narrowly defined sectors based on the current comparative advantage of the nation in view of the fact Bahamian

exports 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 industries of high potential in the first instance, with export specialisation occurring as an extension of this.

The challenge is to actually change the comparative advantage of the nation through a dynamic mixture of inward-focus and outward-orientation policies. To do this, The Bahamas must not look to the rest of the world and decide in what 'niche market' it can successfully engage. Instead, it needs to look initially to a policy of import substitution whereby the country can become self-sufficient in at least some of the sectors. If it can do this successfully, exports will come. One of the major reasons why it needs to take this approach is that the cost of transportation will likely rise with efforts to reign in global warming. As the world moves more in the direction of a 'cap and trade' carbon tax regime and with continued issues that cause instability in the world's oil supply due to terrorism (Middle East), political instability (Nigeria), and geopolitics (Russia), it is becoming more important to have localised production. If current trends continue, even if the country is not yet economically competitive in these areas at the present time, it will likely become so in the future (Karagiannis and Madjd-Sadjadi, 2007).

Although heavy industries still exhibit economies of scale that require manufacturing to have a worldwide basis, light industry does not, and reasonable production costs are possible even in small plants. So long as local firms are dynamic and swift footed and the government apparatus is competent, locally competitive firms can quickly achieve the necessary levels of production to be globally competitive. This will result in both improvements in the balance of payments and productive resource utilisation.

As the economy becomes more competitive technically and on a human capital basis, and as the product base rises, additional opportunities for industrialisation will lend themselves. Essentially, historic antecedents lead to expansion of opportunities later, although the ability to draw on the world stage allows for the Bahamian economy to skip some modernisation steps. The result will be an increased ability for the government, firms, and the population as a whole to respond to future economic challenges. Of course, this will be met with suspicion by the elites who serve their neoliberal masters in the hegemonic countries and trans-national corporations. It is not in the interest of the powers to allow for Bahamian endogenous development because they do not see that economies can and do alter their current competitive advantages through industrial policies. Singapore grew from one of the poorest countries in the World at its founding to one of the richest in less than 50 years (Karagiannis and Madjd-Sadjadi, 2007: 155-180). Likewise, Japan and South Korea dominate the cars industry although once they were the laughingstocks of world

trade (Karagiannis and Madjd-Sadjadi, 2007: 131-154). These countries did not make the mistake of looking at neoliberal solutions for their salvation. They are not suffering from the adversities of declining terms of trade and an inability to compete in an increasingly technologically-driven world. Indeed, one of the ironies of the modern competitive world is that so long as small companies have the infrastructure available to them and a labour force that dovetails nicely with their needs, they can become competitive and eventually slay the Goliaths (witness the many Internet and software companies that now are household words). Yet, only by engaging in national strategic planning that can direct resources effectively can The Bahamas create the conditions necessary to allow for this development pathway (Karagiannis, 2002a).

Finally, it is important to understand that an economy is built upon a nation's social values, codes of behaviour and ethics, and these permeate a society's public and private institutions. When a country lacks clear direction, this is a problem; but it is equally a problem when the direction is placed at odds with the needs of the underlying society. One reason that East Asia was so successful is that it did not import wholesale the Western capitalist experience. Instead, it adapted it to fit its Confucian, Taoist and Legalist traditions (Karagiannis and Madjd-Sadjadi, 2007: 131-155). Still, The Bahamas cannot adopt the East Asian model wholesale either. Instead, it must work with the stakeholders to develop its own model and change those key economic, social, and politico-institutional factors that provide the necessary underpinning (Clayton, 2001: 15). One factor, though that does remain constant throughout all Developmental States is that the public sector must be efficient, competent, and corruption-free and this will require vigilance and honesty. This usually involves raising the pay of government sector officials to reduce corruptibility and instituting a watchdog organisation that can help to ensure compliance with anti-corruption laws and regulations. This is especially important when one sector is the driving engine for economic growth, such as the tourism industry, since rent-seeking behaviour tends to manifest itself more when the stakes are higher.

## **DEVELOPMENTALIST POLICY CONSIDERATIONS**

The recent market supremacy view by the World Bank, IMF and WTO constitutes the main policy gospel for developed and developing countries alike. However, despite neoliberal rhetoric for the openness of markets, advanced industrial nations have often engaged in 'dumping' to gain market share. Besides, if small nations are involved in trying to gain advantages within certain sectors or the same sector as a large nation, investments undertaken by the small nation may fail or be rendered useless and this economic and social cost may be quite

pronounced. Indeed, research shows that 'free trade isn't free - and shouldn't be' (Karagiannis and Madjd-Sadjadi, 2007: 71).

Caribbean countries, such as The Bahamas face severe difficulties in building local competency and improving competitiveness. The problem of cost, however, is important. Although it is very well and good for a country to wish to engage in selective intervention in favour of an industry, the cost of doing so may be prohibitive and crowd out other important needs. Furthermore, with many small states overly dependent on tariffs and duties for revenue and the corresponding obligation to lower these with ascension to the WTO, pressures to reduce costs may increase. Any reversal of growth in world markets or restriction of credit provisions may further destabilise a nascent industrial policy turning a promising development path into a stillborn one.

The countries of the Caribbean, including The Bahamas, need to emphasise supply-side economic policies that can meld the needs of industrial development with that of societal development. This requires, as has been noted earlier, an emphasis on developing an industrial policy within the context of a long-term strategic plan that is developed by stakeholders and acknowledges the realities of the historical, institutional, and cultural underpinnings of society. Instead of addressing issues of the day through an ad hoc approach that looks at the world through the market failure tradition, the strategic plan must recognize that, to some extent, over reliance on the market is the failure (Karagiannis and Madjd-Sadjadi, 2007).

At the same time, pork barrel politics and other rent-seeking behaviour in The Bahamas lie at the core of policy failure. Whether it is in the planning of policy or its execution, political ambition and personal enrichment supersede national interest in The Bahamas. A politician who is always looking for the photo-op and thus makes poor investments of the public purse by providing more money to attract a few hundred jobs from one company than he could otherwise attract by spreading it around to propulsive, dynamic industries (but which would not provide enough job creation in any one company to warrant front page consideration of the *Nassau Guardian*) does a disservice to the nation.

Unfortunately, over the last twenty years, the wholesale importation of economic orthodoxy has substituted for serious thought by Bahamian governments and too often these same governments have relied exclusively on tourism and private businesses to spread developmental benefits and build overall competency. But these orthodox policies have failed miserably to facilitate and/or boost significant local value-added in the critical areas of agricultural production and manufacturing. What is worse is that this lack of diversification and insistence on a growth strategy that emphasises a single sector of the economy (that is, tourism) coupled the economy too strongly to the vagrancies of international economic

conditions, fails to develop other sectors of the economy that could expand in tandem with the tourism sector as it expands, and, by its very nature, limits its benefits to only a portion of the national economy.

The problem is that putting in place macroeconomic policies that are conducive to the market, which neoliberal thought suggests as the appropriate strategy, can only go so far since they fail to deal with deeper structural problems. What policy makers fail to realise is the importance of constructing a production-based framework to economic development with a sharp focus on strategic industrial policy. Some alternative policy suggestions (which derive from both theory and evidence) for the Bahamian development discourse in general, and for food industry growth in particular, follow.

### **Keynesian macroeconomic steering**

This is not to say that macroeconomic policies should be the antithesis of neoliberalism. In fact, holding down inflation and maintaining parsimonious budgets are both important components of any competent government if only because denial of these principles tends to throw such governments into the hands of the IMF and the World Bank fast. Still, Keynesian analysis suggests that in the case of an economy that is not operating at full capacity, such as The Bahamas, reductions in government spending lead to reductions in income and economic activity, thereby discouraging investments. Unless investments continue apace, the future capacity of the economy to produce will not be as great as it would otherwise be. This will lead to more short-term issues that will require government action, lest it lead to social unrest. Instead, policies need to be taken to put the economy on an even keel whereby domestic savings can adequately cover domestic investment and the balance of payments deficit does not force the government to engage in counter-productive activities in a bid to preserve its limited foreign exchange reserves.

The key is to make the budgeted amounts work smarter, instead of just providing more money. A Developmental State fiscal policy reorients state functions, so as to achieve 'crowding-in' of productive investments that contribute to endogenous growth and competency. Such a policy: 1. ensures that the public purse is not wasted and that such expenditure is in alignment with the strategic plan for the nation; 2. curbs conspicuous consumption; and 3. utilises both 'carrots and sticks' so that the government is more likely to achieve its goals within its budget constraints (Karagiannis, 2002a).

The objectives of monetary policy, on the other hand, must: 1. provide a stable financial framework for the successful implementation of government policy; 2. reduce 'capital flight', and prevent asset bubbles from occurring through wanton speculation; 3. maintain an interest rate policy that allows for small firms to acquire



capital at internationally competitive rates and provide further incentives for investment in targeted sectors through selective credit cost reduction policies; and 4. ensure that banks are adequately supervised to ensure these objectives are met (Clayton, 2001, p. 16; Karagiannis, 2002a). Regulators must also ensure that the financial sector is well-managed, well-capitalised and has a time horizon that extends beyond the next quarter.

### **The need for strategic planning**

Leaving the future of the nation in the hands of transnational industrial and financial corporations is sheer folly since the interests of the industry and the nation may not be in alignment, and the power in the relationship lies with the large corporations (Cowling, 1990, p. 12). The Bahamian economy currently is pulled in various directions by outside forces, and no thorough development strategy exists at present other than to pray that the global market will not be too fickle. This is akin to an individual putting his or her head in the sand with regard to retirement and job prospects. One doesn't run one's life without a plan, and one shouldn't run a national economy in such a manner either.

The market and financial institutions rarely see beyond the next quarter, and the need to meet the expectations of the quarterly projections is visited on individual firms. This is especially true for small firms that lack the ability to generate funds internally and must rely on the market or financial institutions for financing.

Unfortunately, short-term outlooks, while beneficial in the short-run, lead themselves to long-term failures (Chen et al., 2007). Thus, it is better to have policies in place that encourage long-term outlooks in the first place. And while it is important to allow the market to work its magic by not picking specific companies as 'winners', it is equally important to ensure that the rules under which these markets operate are well-defined. This is not a knock on the free market but merely recognises that 'regulating through the market' is not only a valid perspective, but a necessary one. One way to ensure this is for the Bahamian government to act as a Developmental State (Cowling, 1990: 11-12: 13-14). The market and the state can successfully co-exist and must act as partners with one another to carve out their own spheres of competency and influence and share in the benefits from their mutual collaboration.

### **Finding the appropriate role for foreign investments**

Bahamian development policy has sought to attract as much foreign direct investment (FDI) as possible without consideration of any other plausible direction to activity. Of course, FDI is a necessary component of the development strategy, but it cannot be the sole one. Instead, we

must look to a way to encourage FDI while also promoting local production.

In a certain way, it is all about leveraging one's resources. FDI can, and should, be used to develop the necessary infrastructure, technology and business acumen that cannot be procured from domestic firms. The degree to which this develops in any given country depends on the extent to which the country can successfully negotiate with foreign enterprises, the need for technology transfer, and the strategic importance of the particular industry to the broader development needs of the nation. This means that governments should not take a 'one size fits all' approach to FDI, contrary to the recommendations of neoliberals. Instead, policies need to be fine-tuned for each sector depending on the needs of the nation, and policies towards each sector may change over time as conditions dictate (Chang, 2003: 266-267).

Most importantly, FDI that does not serve the needs of the nation should not be actively encouraged, especially when it comes with the stipulation of providing concessions and/or government subsidies. This most often occurs in so-called megaprojects that are politically palatable because of the perception that the government is actively engaged in job creation and they appear to create hundreds or thousands of jobs. However, these jobs often come at enormous cost to the public purse and more jobs would have been created, albeit across many companies, instead of just one project if public funds were better stewarded. In addition, such schemes often sacrifice the environment for the economy when no such trade-off needed to occur in the first place.

### **Mixture of domestic and competitive developmentalism**

The Bahamian consumer tends to consume more like one in the developed world than the developing, and consumption outstrips the ability of the domestic economy to produce it. The Bahamian domestic producers' inability to service their own market, in addition to their weak overall capacity to export, means that The Bahamas persistently has a negative balance of trade. Given that The Bahamas needs foreign technology to develop its industry to become more competitive only exacerbates this deficit. However, this also places certain hurdles in the pathway of any developmental strategy as the problem is how to ensure that adequate reserves are available to pay for imports from these competing sectors.

It must be remembered by the Bahamian consumer that he or she is also most likely a producer of goods and services in The Bahamas. As such, his or her livelihood is threatened by his or her consumption activities when the nation is unable to strengthen its industrial capacity since this is over-spending on consumption activities. At the same time, when the consumer is spending too much on

consumption activities, firms may need to go abroad for financing, and this means that they are less agile and responsive to the needs of the country. After all, when your loan is owned by Citigroup, it is Citigroup that is calling the shots. Only if the country can finance more of its own development and can actively trade both as an importer *and* as an exporter on an international scale instead of merely importing from abroad can it hope to grow.

The key is to ensure that industrial development serves the national interest and this requires a two-pronged approach of import substitution (inward-orientation) and expansion of productive capacity and national competitiveness to achieve endogenous growth (outward-orientation). Such an approach can act as an accelerator for development. Still, there are dangers associated with this approach as one may not want to so cuddle an infant industry that it never grows up to face the discipline of international competition. It is also difficult to choose to emphasise certain sectors over others. However, there are two reasons why this must be done. The first is the obvious one: if you try to subsidise everyone, you will quickly run into a fiscal constraint. The second is less intuitively obvious but actually far more important: if you subsidise everyone equally, you do *nothing* to change your competitive advantage. Equal subsidisation does not alter the competitive advantage that each holds. Only by subsidising *unequally* can one alter or extend a competitive advantage (Karagiannis and Madjd-Sadjadi, 2007).

### **The need for industrial development**

Growth brings with it many benefits, not the least of which is an increasing standard of living. But growth can only be achieved when demand for products is increasing. An increasing standard of living tends to increase demand, which means that this is a self-reinforcing cycle. When growth is concentrated in certain highly-linked sectors, it tends to expand capacity more than if it is diffused across several non-interrelated sectors. Thus, industrial policy has a role and industrial targeting is an important component of that policy. The Bahamian government can aid in this process by ensuring that endogenous growth and development occur because, as the citizens of the country own more of the resources of the country, they will be more willing to invest in the society, and will be more likely to have their interest align with the national interest than will foreign corporations.

In doing so, the Bahamian government must also address the 'development disorder' that is manifested in the three macroeconomic imbalances (fiscal stress, the imbalance between savings and domestic investments, and trade deficit) by implementing a strategically focused production-oriented approach. Our central choice for implementation is a sector that is closely aligned with the

tourism sector: the food and beverage industry. This sector is a natural, but hitherto long-ignored, supply chain partner for the country's tourism industry (Karagiannis, 2002a). It also helps promote the distinctive Caribbean/Bahamian cuisine by allowing for indigenous foodstuffs to be granted a test in the local market prior to venturing onto the world stage. After all, since the vast majority of visitors to tourist destinations are foreign travellers, if the local food and beverage industry can get them to acquire a taste for their products, these products will then have a natural export market available to them. Furthermore, so long as these products are indigenous to the region, it will make it more likely that this product differentiation will prove successful. This will also increase benefits to the tourism sector because it will allow them to differentiate themselves on the international stage while, at the same time, enhancing the linkages and complementarities between tourism and commodity production sectors and activities (Bernal, 2000: 110-11).

In addition, the government can work to establish 'growth poles' (e.g., in Freeport and Andros) to facilitate processing of foodstuffs and operate the entire supply chain from primary production to eventual consumption by the tourism sector within the country. The impact of this would be, among other things, to ensure that growth in the tourism industry would bring benefits to other key factors of the economy so as to increase technological capacity; reduce the dependency of the domestic consumer on foreign importation of food; increase managerial and entrepreneurial competency; reduce unemployment and under-employment; and increase resource utilization (Karagiannis, 2002b: 146-147).

### **Selective incentives, disincentives and investments on the accelerators**

Investments in The Bahamas have usually been inadequate in providing sufficient resources for future production or bringing about the full utilisation of existing resources. Entrepreneurs have been reluctant to invest in longer-term projects and have developed a rentier-like appetite for short-run capital gains. Furthermore, financial markets have significantly encouraged endemic short-termism and various speculative ventures. These factors, in conjunction with weak or absent state supervision, can foster a 'casino economy' mindset and a dysfunctional business culture, in which insider trading, conflicts of interest and more direct forms of corruption can increasingly become common (Clayton, 2001: 16).

Further, neoliberals argue that high wages (and therefore high total cost of local economic activities) in The Bahamas is a serious barrier which discourages productive investments. In The Bahamas, too, loans and financial schemes (by the Bahamas Development Bank, BAIC, etc.) are seen to be partial and unsuccessful policy measures for a successful local development strategy.

But these traditional incentive policies offer only marginal solutions, encourage rent-seeking, clientelism and squandering, and usually recommend some temporary assistance, without getting at the root of the problems. The answer is twofold: 1. special emphasis on capital accumulation and on government finance and guidance of higher levels of investment; and 2. selective incentives to key favoured agro-industrial firms and disincentives to disfavoured industries and services (Karagiannis, 2002a; Karagiannis and Madjd-Sadjadi, 2007).

1) Planned investments on knowledge, technological innovation, training and research must provide the industrial requisites to thoroughly support the prioritised sectors and activities; increase the total quantum of skills and expertise; and boost the overall competency and competitiveness of the Bahamian economy towards higher rates of growth and 'high wages high productivity'. 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 investment (private sector investment on the 'accelerators' of local development and competitiveness is also highly desirable and essential).

2) Selective incentives/disincentives provide important benefits and must be considered as one tool in the industrial policy arsenal. Disincentives to disfavoured and unsuccessful businesses or services, such as imposition of higher licensing fees for such enterprises, can release capital for industrial development either through revenue enhancement or by channelling investment into targeted sectors. Besides, selective disincentives are somewhat impervious to challenge in that they confer no perceivable unfair advantage to the country utilising them (Karagiannis and Madjd-Sadjadi, 2007). This has the additional benefit of simultaneously adding sectors that are being emphasised. Thus, discouragement of unfavoured businesses and services accelerates the process of moving capital out of them and into the more favoured ones. More importantly, in the face of trade agreements and competition among nation-states, this option enables industrial policy makers to justify the gradual ratcheting down of incentives to force disfavoured and unsuccessful businesses or services to stop 'suckling the mother's milk of subsidies'.

### **Local involvement and empowerment**

Critical to any endogenous development strategy is local involvement and empowerment. Currently, tourism is being undertaken by large-scale foreign enterprises that traditionally have provided all-inclusive accommodations that make interactions with the locals difficult to achieve. In addition, such endeavours typically take a 'cookie cutter' approach wherein one could easily replicate the 'sun, sand and sea' model anywhere in the Caribbean.

By focusing on increasing local community involvement, one could capitalise on a wider variety of niche market tourism that allows for greater revenue extraction owing to product differentiation. Heritage, cultural, health, ecological and community tourism require community involvement and local ownership for successful implementation (Scheyvens, 1999; Boxill, 2000 and 2002; Hayle, 2000 and 2002; Timothy, 2002; Duperly-Pinks, 2002).

Greater local involvement has additional benefits in that it tends to distribute tourism earnings throughout the society, allows for the expansion of local enterprises, and generally provides for the populace greater self-reliance and a stake in the outcome of the industry (Duperly-Pinks, 2002). What's more, it creates an 'organic link' between the industry and the people (Boxill, 2002; Hayle, 2002). According to Hayle (2002) and Boxill (2000; 2002), unless this 'missing link' is bridged, the industry's long-term survival is brought into question, particularly in this difficult era of neoliberal globalisation.

In this manner, local ownership and control aid in enhancing the national self-image, economy, and democratic development by ensuring that Bahamians have a voice in the future course of their country. By making them part of the solution rather than outsiders looking in, it also ensures that policy makers who confer with them will find a populace that recognises the benefits as well as the costs to various actions. As a result, local participants and stakeholders can provide informed opinions that can positively shape outcomes in the decision-making process (Timothy, 2002: 152; Scheyvens, 1999).

### **Emphasis on quality**

For The Bahamas to succeed, it must do so as a quality *value-based* producer, as opposed to simply a low-cost one. The Bahamas simply cannot compete in the low-wage sector and so must, instead, be ever vigilant to improve quality and provide good value for the consumer. This must be a recurrent theme throughout the supply chain and requires the institution of modern management techniques such as just-in-time and total quality management. This also requires constant retraining of workers, an emphasis on purchasing high-quality machinery, and having an adequate supply of labour to configure and maintain these machines. It requires an understanding of proper inventory control procedures and minimisation of transportation costs, as well as rigorous quality control and testing. The government and society must realise that the actions of individual companies will reflect on all companies in the country.

Thus, export licensing is important to ensure that the nascent export sector is not stymied by the actions of a few who wish to take shortcuts to success. Bahamian firms must realise that, in order to be globally competitive,

they must achieve on both quality and price, providing the most 'bang for the buck'. Products that do not live up to these standards not only will backfire against the firms that produce them but against all other Bahamian companies, causing a further deterioration in the terms of trade and the balance of payments (Heizer and Render, 1996: 79-80).

### **Politico-institutional reforms**

Any serious local socioeconomic development effort would require that the College of The Bahamas makes the move to university status. This will assist in any policy-making and planning activities by bringing the resources of a tertiary indigenous institution of learning to bear on the problems that plague the archipelago nation. For far too long, the country has relied on overseas universities to educate its citizens, especially in the graduate ranks. By building a viable national teaching and research university in The Bahamas, the nation is poised to address its own developmental issues. In addition, this action could assist in reducing amounts of dollars leaving the country as fewer Bahamian citizens would be forced to go abroad to seek higher education.

Still, more work is needed in other areas to ensure a transition to a higher trajectory development path. Without fundamental reform of existing government institutions, the results will likely be stillborn. State intervention requires a technocratic public sector that also benefits from managerial competency that can guide policy without implementing it. But these are areas where the current government is lacking. Instead, Bahamian government officials have too often engaged in patronage-based behaviour designed to ensure continued electoral success. By promoting the interests of the few over the needs of the many, Bahamian society has suffered from an overemphasis on the needs of special interests, what has been termed by Mancur Olson (1971: 3) as 'the "exploitation" of the *great* by the *small*'.

The Bahamas has suffered, and continues to suffer, from a sharp erosion of political institutions owing to changes in the structure of class relations. This must be reversed for a Developmental State to emerge. Development States are ones that have 'strong' politico-institutional structures that allow the government to resist these influences. This type of state can put in place policies that serve the national purpose rather than narrow special interests (Karagiannis and Madjd-Sadjadi, 2007). However, these policies need to be crafted in a consultative manner with scientists, experts, and forward-looking businessmen. At the same time, a technically competent public administration that is well-insulated from political influence needs to be built to carry out the policies that have been introduced. Just as important, functions of various governmental agencies need to be arranged so that spheres of operation are not overlapping

so as to reduce to a minimum interdepartmental conflict that retards the ability to implement policies in The Bahamas.

This stands in sharp contrast to the current state of the public administration in The Bahamas, which hitherto has suffered excessively from bureaucratic inertia that places an emphasis on shuffling paperwork rather than achieving results. In order to be effective, the politico-institutional structure must be altered to allow for a pathway to successful production-oriented selective interventions designed to promote economies of scale and network externalities that can enhance Bahamian development (Karagiannis, 2002a).

Unless politico-institutional conditions are reformed, any attempt to promote endogenous development will be stifled. It is akin to having the internet without any domain name system. While it is possible to get to a website by utilising only the numeric codes that are internal to each website (such as 209.131.36.158, the DNS for Yahoo.com), it is clearly neither desirable nor efficient. Indeed, if it were not for domain name registration, the internet would be far less useful and easy to navigate. Similarly, policies to undertake development require appropriate politico-institutional structures to be effectively implemented. Thus, institutions need to be reformed so that a national development plan that is consistent with the realities that currently exist on the ground in The Bahamas can be developed and implemented successfully (Karagiannis, 2002b, p. 165).

In order to achieve success, the following preconditions need to be met: 1. The government must credibly commit to pursuing a production-oriented strategy (which includes agriculture, industry, and the entire services sector); 2. The government bureaucracy must be streamlined and insulated from political pressure, and the skill base of government employees must be upgraded;

3. Government employees must be given greater power to implement policies as well as greater responsibility for the consequences of these activities; 4. A long-term development view must replace the current focus on the short-run in both the government and the financial sector; and 5. The government sector must have its incentive structure changed so as to dissuade the pursuit of rent-seeking and other corruptive behaviour (Ahrens, 1997: 116).

Government policy making 'requires continuing fine-tuning and adjusting institutions and policy solutions to changing technological, social, political and economic environments' (Ahrens, 1997, p. 119). Therefore, continual adjustments to ensure that The Bahamas stays on a proper development path will be needed and the current resistance to change must be overcome.

### **CONCLUSIONS**

The case for selective state action is predicated on

developing the nascent food industry to serve as a supply chain partner for the tourism industry while putting into place a Developmental State framework that takes into consideration the developmental limitations of The Bahamas.

Instead of continuing the failed policies of economic orthodoxy, we suggest a thorough activist strategy which would be more beneficial for the country. Given that power does not exist in a vacuum in the global political economy, it is necessary for the Bahamian state to design the country's future development. However, this will only work if the Bahamian government is willing to exercise its voice.

The policy approach is not to introduce a vast bureaucratic machine; instead, the approach is entrepreneurial. At the same time, we recognise that the invisible hand of the market will be guided only by the transnational corporations' ambitions if it is not guided by the government. Once the initial conditions are put in place, the entrepreneurial animal spirits will take over and do all the creative work. Still, this collaboration must be supported by targeted government policy making that will assist local enterprises to raise the quantity and quality of industrial investment and introduce their products to an international market through the existing tourist destinations.

What is important to realise is that one does not need a large government bureaucracy that solely addresses short-term macroeconomic fluctuations, but rather a nimble one that is committed to a long-term strategic plan and the appropriate conducive policies. The current model is geared towards the large players in the market, and only through coordination and a Developmental State can the Bahamian economy and society truly develop.

## Notes

1) A differentiation strategy emphasizing local culture and cuisine would allow The Bahamas to strengthen its market power in the tourism sector *vis-à-vis* other destinations. As it is now, when tourists come for 'sand, sun, and sea', any beach will do.

2) Undoubtedly, the dynamics of a highly dependent economic structure exist in The Bahamas. In fact, social and political relations coupled with cultural and psychological attitudes, having developed around the productive forces of colonialism, alien settlement and conquest, have been reproduced even since 1973 (the nation's year of Independence) (Thomas, 1974: 60).

3) There are numerous writings on the Developmental State view, which are mainly based on the East Asian experience of industrial development (Johnson, 1982; Amsden, 1989; Wade, 1990; Chang, 2003; Karagiannis and Madjd-Sadjadi, 2007 – among others). These contributions are well-known and there is no need for their repetition in this paper.

4) Karagiannis (2002a; 2004) sought to provide a

Bahamian Developmental State framework.

5) The conflict management side of state intervention is very important and relevant here, and therefore should not be ignored.

6) This point of argument is based on Karagiannis & Madjd-Sadjadi, 2007.

7) It has to be remembered that stopover tourists (around 1.5 million visitors on average during the last decade) significantly expand the size of the local market. Export promotion can also be achieved due to the country's proximity to North American markets.

8) See also 'Developmentalist Policy Considerations' ('Mixture of Domestic and Competitive Developmentalism' sub-section).

9) It is argued here that, even under the current Conditions of globalisation and the pressures from international organisations such as WTO, IMF and World Bank, governments still have the policy space for Developmental State action.

10) As Cowling (1990, p. 23) argues, Institutions can formalise the commitment to such [development strategies], and their structure, procedures and personnel can act to ensure that such commitments cannot easily be reversed, but they are simply ratifying [plans] already established. The history of planning [in The Bahamas] shows how fragile was the commitment, despite the creation of many new institutions [and the lack of teeth of these institutions was quite obvious]. With clear goals, and a determination to pursue them, institutions with teeth should be forthcoming.

## REFERENCES

- Ahrens J (1997). 'Prospects of Institutional and Policy Reform in Development. Review, 15 (1):111-46.
- Bernal RL (2000). 'Globalisation and Small Developing Countries: The Imperative for Repositioning', in Benn D, Hall K (eds) *Globalisation: A Calculus of Inequality*, Kingston: Ian Randle Publishers. pp. 88-127.
- Boxill I, Taylor O, Maerk J (2002). *Tourism and Change in the Caribbean and Latin America*, Kingston: Arawak Publications.
- Boxill I, Frederick O (2002). 'Old Road, New Road: Community Protests and Tourism Development in Antigua', in I. Boxill O, Taylor, Maerk J (eds) *Tourism and Change in the Caribbean and Latin America*, Kingston: Arawak Publications, pp. 101-110.
- Boxill I, Maerk J (eds) (2000). *Tourism in the Caribbean, Mexico: Plaza y Valdez*.
- Chang HJ (2003), *Globalisation, Economic Development and the Role of the State*, Penang, Malaysia and London: Third World Network and Zed Books.
- Chen HR, Kiani K, Madjd-Sadjadi Z (2007). 'Impact of Control Type on Firm Growth in Taiwan', *Int. J. Appl. Econ.*, 4(1): 76-84.
- Clayton A (2001). 'Developing a Bio-Industry Cluster in Jamaica: A Step towards Building a Skill-Based Economy', *Soc. Econ. Stud.*, 50 (2):1-37.
- Cowling K (1990). 'The Strategic Approach to Economic and Industrial Policy', in Cowling K, Sugden R (eds), *A New Economic Policy for Britain: Essays on the Development of Industry*, Manchester: Manchester University Press, pp. 6-34.
- Department of Agriculture, 'The Performance of the Agricultural Sector', (various unpublished reports), Nassau, various years.
- Department of Statistics (2000), *Statistical Abstract (Annual Publication)*, Nassau.
- Duperly-Pinks D (2002). 'Community Tourism: "Style and Fashion" or

- Facilitating Empowerment?', in Boxill I, Taylor O, Maerk J (eds), *Tourism and Change in the Caribbean and Latin America*, Kingston: Arawak Publications, pp. 137-161.
- EIU Economic Reports on Caribbean Countries, various issues.
- Eneas, WJG (1998). *Agriculture in The Bahamas: Historical Development 1492-1992*, Nassau: Media Publishing.
- Hayle C (2000). 'Community Tourism in Jamaica', in I. Boxill and J. Maerk (eds), *Tourism in the Caribbean*, Mexico: Plaza y Valdez, pp.165-176.
- Hayle C (2002). 'Issues Confronting New Entrants to Tourism', in Boxill I, Taylor O, Maerk J (eds), *Tourism and Change in the Caribbean and Latin America*, Kingston: Arawak Publications, pp. 229-272.
- Heizer J, Render B (1996). *Production and Operations Management*, 4<sup>th</sup> ed., New Jersey: Prentice Hall.
- Higgins KJ (1994). *The Bahamian Economy: An Analysis*, Nassau: The Counsellors.
- Kaldor N (1978a). *Further Essays on Economic Theory*, Vol. I, London: Duckworth.
- Kaldor N (1978b), *Further Essays on Applied Economics*, London: Duckworth.
- Kalecki M (1971). *Selected Essays on the Dynamics of a Capitalist Economy 1933-1970*, Cambridge: Cambridge University Press.
- Kalechi M (1976). *Essays on Developing Economies*, Brighton: The Harvester Press.
- Karagiannis N (2002a). *A New Economic Strategy for The Bahamas: With Special Consideration of International Competition and the FTAA*, Kingston: UWI Printers.
- Karagiannis N (2002b). *Developmental Policy and the State: The European Union, East Asia, and the Caribbean*, Lanham, MD: Lexington Books.
- Karagiannis N, Madjd-Sadjadi Z (2007). *Modern State Intervention in the Era of Globalisation*, Cheltenham and Northampton, MA: Edward Elgar.
- Marshall DD (1998). *Caribbean Political Economy at the Crossroads: NAFTA and Regional Developmentalism*, Basingstoke and London: Macmillan.
- Miller ES (1998). 'Veblen and Commons and the concept of community', in W . J. Samuels (ed.), *The Founding of Institutional Economics*, London: Routledge, pp. 14-29.
- Ramsaran RF (1983). *The Monetary and Financial System of The Bahamas: Growth, Structure and Operation*, Kingston: ISER, University of the West Indies.
- Sawyer MC (1992). 'Unemployment and the Dismal Science', Discussion Paper Series G92/15, Leeds: Leeds University Business School.
- Thomas CY (1974). *Dependence and Transformation*, New York and London: Monthly Review Press.
- Timothy DJ (2002). 'Tourism and Community Development Issues', in Sharpley R, Telfer DJ (eds), *Tourism and Development: Concepts and Issues*, Clevedon: Channel View Publications, pp. 149-164.
- United Nations–Commission for Latin America and the Caribbean, *Selected Statistical Indicators of Caribbean Countries*, Port-of-Spain, Trinidad: UN-ECLAC, various years; [www.eclacpos.org](http://www.eclacpos.org), Selected Statistical Indicators Online, 1991-2001.
- UNCTAD (1994). *Trade and Development Report*, Geneva: United Nations.
- UNCTAD (2001). *Handbook of Statistics*, Geneva: United Nations.
- Watkins K, Von Braun J (2002). *Time to Stop Dumping on the World's Poor. 2002-2003 Annual Report: Trade Policies and Food Security*, Washington: International Food Policy Research Institute.
- [www.bahamas.gov.bs](http://www.bahamas.gov.bs) (The National Budget, various years).
- Yu TFL (2001). 'An Entrepreneurial Perspective of Institutional Change', *Const. Pol. Econ.*, 12: 217-236.