

## ABSTRACT

### POLITICAL SCIENCE

GEORGE, DION

B.A. MIDWESTERN STATE UNIVERSITY,

2003

M.A. MIDWESTERN STATE UNIVERSITY,

2006

PERPETUAL DEPENDENCY: AN ANALYSIS OF THE CARIBBEAN COMMUNITY  
(CARICOM) AND THE RELATIONSHIP WITH THE  
INTERNATIONAL MONETARY FUND

Committee Chair: Kurt Young, Ph.D.

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This study examined the relationship between CARICOM governments and the International Monetary Fund (IMF). The study focused on three research questions: (1) What do the CARICOM leadership and other stakeholders believe are the major reasons why they continue to rely on the financial assistance and intervention of the IMF? (2) Under which paradigm of development do these leaders and stake holders perceive their relationships with the IMF? (3) How do younger and older CARICOM citizens perceive the future growth of their countries, under the leadership of the IMF?

Both quantitative and qualitative methods were used in this study to analyze the research questions; therefore, this study used a mixed-methods design. Research question one was analyzed using a qualitative design, while the second and third research questions used a quantitative analysis in the form of descriptive statistics. The analysis, which was limited to six

interviews, contained 13 questions. Thematic analysis explored themes such as unique crafting of policies to meet challenges; rationale to undergo IMF programs; ability to meet domestic and international payment obligations; and most applicable economic paradigm to CARICOM. This study also examined the economic paradigms undergirding CARICOM leaders' decision to use the International Monetary Fund in addressing the socioeconomic and political development issue of the region. The sample consisted of 49 participants.

The study concluded that the IMF policies are uniquely crafted to suit the specific CARICOM countries' needs. These countries tend to invite the IMF interventions out of a sheer necessity and often are reluctant to do so. Yet, doing so provides access to additional funding and other resources that would likely have been otherwise unavailable. While the intent of the IMF programs is to eliminate the inefficient use of resources in these states, sometimes government spending can be impacted by its political nature and yield unintended consequences.

PERPETUAL DEPENDENCY: AN ANALYSIS OF THE CARIBBEAN COMMUNITY  
(CARICOM) AND THE RELATIONSHIP WITH THE  
INTERNATIONAL MONETARY FUND

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DION GEORGE

POLITICAL SCIENCE

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## CHAPTER I

### INTRODUCTION

This study examined the nature of the Caribbean Community (CARICOM) countries' political economies<sup>1</sup> and the relationship with the International Monetary Fund (IMF). Admittedly, the political economies of CARICOM countries from the era of their independence have continued to wallow in a state of underdevelopment. Consider for example in 2012, Antigua and Barbuda, Barbados, Grenada, Jamaica, and St. Kitts and Nevis were among the twenty most indebted countries in the world, according to the ratio of their public debt to their Gross Domestic Product (GDP).<sup>2</sup> These countries also rank as the top five most indebted countries in the Caribbean region. The term underdevelopment is not considered as a dynamic process in the same way as development is typically understood. In the conventional sense, a country is normally seen as being underdeveloped until some stimuli is added that would spur development. The view taken in this study is that underdevelopment itself is a dynamic process.<sup>3</sup> This means that there

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1. Friedrich Engels' 1887 classical definition of political economy is "the science of the laws governing the production and exchange of the material means of subsistence in human society." In that sense, it deals with materials and exchange through history; that which is constantly changing. For the purpose of this study, the researcher ascribes to that meaning. However, the researcher particularly considered the productive sector including manufacturing, agriculture, tourism, excreta, and how the decision makers, primarily the public sector, influence national income and wealth.

2. Alicia Barcena, *The Case for Caribbean Debt Relief Being made at International Financing Conference*, ed. Dawne Parris (St. Michael, Barbados), accessed August, 26, 2016, [http:// www.caribbean360. com/news/case-for-caribbean-debt-relief-being-made-at-international-financing-conference#ixzz4IR0FN130](http://www.caribbean360.com/news/case-for-caribbean-debt-relief-being-made-at-international-financing-conference#ixzz4IR0FN130).

3. George L. Beckford, *Persistent Poverty Underdevelopment in Plantation Economies of the Third World* (Morant Bay, Jamaica: University of the West Indies. Maroon Publishing House, 1999), xix.

are systematic forces which operate to keep underdeveloped countries continuously underdeveloped.<sup>4</sup> CARICOM countries have adopted a few approaches to development, yet the results have kept these states in the realities of under development and dependency.

### **Statement of the Problem**

The central problem of this study is that after four decades of IMF adjustments CARICOM countries are still heavily indebted and have not realized the sustainable growth that was expected. The data that justifies this claim are salient and undeniable. Consider, in 2013, Antigua and Barbuda, Barbados, Grenada, Jamaica, St. Kitts, and Nevis were among the 20 most indebted countries in the world in terms of the ratio of their public debt to their Gross Domestic Product (GDP).<sup>5</sup> During that year, the total debt burden, both internal and external, of fifteen Caribbean countries amounted to US forty-six billion dollars.<sup>6</sup> To put this into perspective, this amounts to seventy-one percent of the sub regional GDP. According to the Economic Commission for Latin America and the Caribbean (ECLAC) figures, “the external public debt in seven countries with available and complete information—Belize, Dominica, Grenada, Guyana, Jamaica, St. Lucia and St. Vincent and the Grenadines—totals almost eleven billion U.S dollars.”<sup>7</sup>

Associated with the major problem of underdevelopment are several key challenges that are facing the region. In a study titled “Microfinance and Poverty

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4. Ibid.

5. Barcena, *The Case for Caribbean Debt Relief Being made at International Financing Conference*, accessed August 26, 2016, <http://www.caribbean360.com/news/case-for-caribbean-debt-relief-being-made-at-international-financing-conference#ixzz4IR0FNl30>.

6. Ibid.

7. Ibid.

Alleviation in the Caribbean,” Jonathan Lashley identified several problems that account for the unproductiveness of policies prescribed to Caribbean states by the International Financial Institutions. Four of these challenges included defining what success is, clearly defining poverty, identifying the differing goals among stakeholders, and poaching. One of the major problems that CARICOM countries face is defining clearly what is meant by “success.” In addressing these concerns, Lashley, raised some critical issues that Caribbean countries face in dealing with International Financial Institutions (IFI), particularly as they relate to the notion of “success.” Simply stated, he argued that there is a misconception between the global South and the IFIs, on exactly what is success. In other words, the donors, providers, and recipients need to be cognizant and explicit in defining the aims and uses of microfinance.<sup>8</sup> This concept of microfinance entails the provision of small amounts of capital to allow poor micro entrepreneurs to reap the benefits of their labors - a process which according to Lashley is in disarray.<sup>9</sup>

Also, Lashley demonstrated that Caribbean countries, such as Dominica and Barbados, did not experience success because the Micro Financial Institutions (MFI) lacked the appreciation of context and strategic direction. The donors tended to withdraw funding at critical points in Dominica’s long-term plan, which tended to retard progress. Essentially, MFI ignored the context of these nation states.<sup>10</sup> This lack of appreciation was well noted in the following areas:

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8. Jonathan G. Lashley, “Microfinance and Poverty Alleviation in the Caribbean: A Strategic Overview,” *Journal of Microfinance/ESR Review* 6, No. 1 (June 2004), 83-94.

9. Ibid., 84.

10. Ibid.

1. A lack of understanding of the specific nature and characteristics of poverty. This is especially true in the Caribbean where the characteristic of the poor is typically rural, poor and female. There are little targeting efforts in these areas to alleviate poverty.
2. There is a high level of governmental intervention. Government tends to exert a dictatorial role on interest rates - often not for development but rather for political gain.
3. A poor repayment culture of the population. Von Stauffenberg noted in 2000 that the portfolio at risk was at 39%. Again, the culprit here was the government that, according to Stauffenberg, sent a political message that created “ambivalence about defaulting on government-backed loans.”
4. A high level of development of the financial sector, like commercial banks and government fiscal packages. This results in an overcrowding of the microfinance sector and retarding its development.
5. A lack of sufficient social capital and interconnectivity of the population to foster successful microfinance projects. Lashley pointed out that there is a lack of cooperation among businesses themselves and other support organizations.<sup>11</sup>

Furthermore, another key problem with MFIs, is the lack of a clear understanding of what is poverty. As a result of this misconception, the ultimate mission of MFI itself is flawed. Interestingly, the idea of microfinance is to lend small amount of monies towards enterprise development with the ultimate goal of sustaining increased income levels above the poverty line. However, MFIs need to understand what poverty truly means. “Poverty is more than just lack of funds; it also relates to vulnerability, defenselessness, and dependency.”<sup>12</sup> MFIs tend to target populations that are just below the poverty line. However, Lashley pointed out that poverty groups, even below this “poverty line,” need finance in conjunction with other human services.

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11. Ibid.

12. Nitin Bhatt and Shui-Yan Tang, “Delivering Microfinance in Developing Countries: Controversies and Policy Perspectives,” *Policy Studies Journal* 29, No. 2 (May 2001), 319-333.

Regarding the differing stakeholder goals, a case study conducted by Lashley and Lord in 2002, pointed to the detrimental effects of differing stakeholder goals created in the island of Dominica. Consider the scenario of MFI involving National Development Foundation of Dominica (NDFD), a substantial amount of donor contribution from the USAID, and the government Commonwealth of Dominica. USAID pulled out its funding due to default rates at the time that were considered too high. And interest rates that were considered too low. The idea to have sustainable MFIs in the region may have been a noble one; but it was not commensurate with NDFD or the government of Dominica. In short, although the mission of the donor (USAID), was to alleviate poverty through microenterprise development which on the surface was good, the opposition came from the government of Dominica's Prime Minister - Mary Eugenia Charles, who reckoned that the interest rates were too high. She pointed out that with interest that high, nobody could borrow. Interestingly the former Prime Minister of Jamaica, Mr. Michael Manley echoed that same sentiments. In the 1980s Jamaica was faced with high indigent cash shortages because of the exorbitant interest rates for lending that was offered by the IMF. This reiterates the point that the goal of the lender (IMF) can often serve as a detriment to the recipients (CARICOM governments). To make matters even worse, the NDFD, in seeking some sustainability itself, was charging interest on grant funding from the European Union (EU). To further emphasize the point of differing goals, the EU did not agree that the NDFD should charge interest on grant money and ordered them to stop. This was so, despite the fact that the income earned from interest charged was used to finance the distributions of the fund.<sup>13</sup>

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13. Lashley, "Microfinance and Poverty Alleviation in the Caribbean: A Strategic Overview," 88.



Poaching is another problem. And although it may work favorably for the banks, it does not achieve the poverty alleviation that the MFIs mean to achieve. Poaching refers to the deliberate actions by banks to attract credit-worthy MFI clients. According to Lashley, this practice is common in the Caribbean. It helps the MFI maintain adequate loan portfolios. Lashley noted that these poached clients often suffer during times of economic decline.

In summary, according to leading economic experts, developing strong and viable MFIs is critical to the growth and sustainability of the CARICOM region. But currently, the region faces three underlying problems in terms of the economies of scale if the eastern Caribbean, which has a population of just over 800,000 persons, making economies of scale almost impossible; the characteristics of poverty in the Caribbean which is rural, female and young, a group that has not benefitted from any development initiatives; the issue of differing stakeholder interest rates and goals, which are also crucial and must be addressed. Eliminating the problem of differing stakeholder goals, and what the donors consider as “success,” necessitating the intervention of the IMF, continues to be a lingering problem. On the other hand, other stakeholders, including the governments of the Caribbean islands, have goals which are diametrically opposed to those of the western donors and the IMF. For the latter countries, reducing poverty, raising the income levels and fostering more sustainable economic activity remains critical. Unfortunately, these divergent concepts of “success” result in zero-sum situations where the donors are sometimes forced to pull their funding from these states and crippling their economies.

### **Research Questions**

By examining the perceptions of some of the leadership of the CARICOM islands, this study attempted to understand the central proposition of this study which is the persistent underdevelopment of the region in spite of the massive financial assistance and intervention of the IMF. The study was guided by three major research questions:

- RQ1. What do the CARICOM leadership and other stakeholders believe are the major reasons why they continue to rely on the financial assistance and intervention of the IMF?
- RQ2. Under which paradigm of development do these leaders and other stakeholders perceive their relationships with the IMF?
- RQ3. How do younger and older CARICOM citizens perceive the future growth of their countries, under the leadership of the IMF?

### **Significance of the Study**

The political concepts of corruption, clientilism, nepotism, and lack of transparency in governance, little or no accountability of public officials , are all common themes that play a thematic role beyond simply what numbers and statistics can show. These concepts are the realities which are present in the region. This study investigated the perceptions of the decision makers about the role of the IMF in their region with the hope that the broader public of this region will gain an understanding about the constraints faced by leaders in the region when they deal with the IMF. Do the leaders perceive the IMF as contributing to the socioeconomic progress of the region or do the leaders perceive the

IMF as limiting the progress of the region. Fostering such an understanding is the purpose of this study.

As a student of political science, it is interesting to inquire about the motivations of the decision makers on both ends of the spectrum - the donors (IMF) on the one hand, and the recipients (CARICOM governments) on the other hand and to explore how these motivations could be harnessed in the positive development of the region. Also important to this discussion are the people in the region relations to the West. As it is, seeking to understand human behaviors, governments and institutions as it relates to power and distribution of resources is in line with political science. To this end, the decision by the IMF to lend resources by the IMF, the decision to accept and or negotiate the terms and conditions of the IMF by CARICOM states, and the decision to allocate these resources as the governments see fit is in alignment with the political scientist Harold Lasswell's perspective on politics. In a mundane, yet most applicable sense, Lasswell noted that politics is the process of deciding "who get what when and how." The relationship between both institutions an International Financial Organization (IFO) and a political organization (CARICOM governments) constitutes such a process.

Admittedly, much has been written on Caribbean political economy. This includes *The Poor And The Powerless, Economic Policy and Change in the Caribbean* by Clive Y. Thomas; *Reclaiming Development Independent Thought and Caribbean Community* by Kari Levitt; and *Economic Development In The Caribbean* by Kempe Ronald Hope, just to name a few. Much has also been written on the IMF and the WB and their relations with the global South. Consider for example, *50 Years is Enough* by Kevin

Danaher and *Hypocrisy Trap: The World Bank and the Poverty of Reform* by Catherine Weaver. The text, *50 Years is Enough*, discusses the World Bank and the International Monetary Fund (IMF) as they celebrate fifty years of economic dominion over the Third World. The text is a daring critique against proponents of neo-liberalism. In *50 Years is Enough*, such topics as failed development projects, the feminization of poverty, the destruction of the environment, the internal workings of the World Bank and the IMF, and the struggle to build alternatives to neo-liberal policies are covered. It also includes a guide to the many organizations involved in the struggle to reform the World Bank and the IMF.

Whereas these studies have made significant contribution to the field, little has been done on understanding the perceptions of leaders in the Caribbean region, nor has there been any primary research on seeking to understand the motivations of the leaders to deal with the IMF. This study adds to the field of Political Science and to the knowledge basket as its findings derived from primary research data on questions that have not yet been explored before. Undoubtedly, social scientists and economist in the region and internationally, have studied events and issues but here it is whether it is in this area. The response is no. This study is a small step in this direction. It would be interesting to see the actual responses from the leaders, versus the preconceived notions that exist. Indeed, this makes for a serious conversation to be had, in references to the actual perceptions of the regional leaders and their motivation for dealing with a major global institution such as the IMF.

## Context of the Problem

### Development and the Caribbean Political Economy

This section presents a picture of the region and the geo-spatial, geo-political, and socioeconomic background of CARICOM. It addresses geographic location, population and the issue of how the region is tied into the global economic arena. To this end, the study alludes to the common colonial history of the region and the implications thereof. A second point that encapsulates the region is socioeconomic realities is an understanding of the size both in terms of population and land area.

Table 1 provides a picture of the region's population and territorial size. The final segment of this section provides an explanation of how the small economies became immersed into the global economic system. The table also displays the geo-spatial picture of the Caribbean region. According to the table, the region has a population of 18, 095, 201 people and a land mass of 99, 546 square miles.

**Table 1. A geo-spatial index and statement on the Caribbean region**

Country	1974 Population	2017 Population	Land Area (sq. Miles)
Jamaica	2, 017, 191	2,990, 561	4,410
Trinidad and Tobago	985, 878	1,218,208	1,980
Guyana	768, 242	737,718	83,000
Three countries combined	3, 771, 331	3,911,852	99, 390
CARICOM Total	4, 638, 131	18,095,201	99, 546

Source: Sidney Chernick, The Common Wealth Caribbean. The Integration Experience A World Bank Country Economic Report and Central Intelligence Agency World Fact Book.

Table 2 summarizes the economies of the Caribbean Community (CARICOM). The table shows the population, the GDP in millions of dollars, the GDP per capita, the Human Development Index, the debt, the debt as a percentage of GDP and the deficit as a percentage of GDP.

**Table 2. Summary of the economics of the Caribbean community (CARICOM)**

Countries	Population	GDP \$Mill	GDP per capita	HDI	Debt	Debt (% GDP)	Deficit (% GDP)
Antigua and Barbuda	100,963	\$1,460M	\$14,461	0.79	1,259	86.22%	-0.14%
Bahamas	391,232	\$9,047M	\$23,124	0.79	5,974	68.00%	-3.53%
Barbados	284,996	\$4,588M	\$16,097	0.8	4,876	105.54%	-5.49%
Belize	366,954	\$1,765M	\$4,811	0.71	1,746	99.23%	-3.92%
Dominica	73,543	\$525M	\$7,144	0.73	432	72.66%	14.24%
Grenada	107,317	\$1,016M	\$9,469	0.75	903	90.55%	-1.20%
Guyana	773,303	\$3,437M	\$4,445	0.64	1,661	48.31%	-4.38%
Haiti	10,847,334	\$8,232M	\$759	0.49	2,775	33.70%	-0.01%
Jamaica	2,881,355	\$14,027M	\$4,868	0.73	15,892	111.92%	-0.20%
Saint Kitts and Nevis	54,821	\$900M	\$16,417	0.77	590	65.56%	4.24%
Saint Lucia	178,015	\$1,675M	\$9,409	0.74	1,125	66.72%	-1.18%
Saint Vincent and the Grenadine	110,000	\$770M	\$6992	0.72	639	82.93%	1.13%
Suriname	558,368	\$3,621M	\$6,484	0.73	2,076	42.57%	-9.94%
Trinidad and Tobago	1,367,000	\$21,125M	\$15,459	0.78	8,461	39.39%	-12.69%
TOTAL: CARICOM	18,095,201	\$72,188M	\$3,989		48,409	67.05%	

Source: Expansion: CountriesEconomy.com, <https://countryeconomy.com/countries/groups/caribbean-c>

In the text titled *Patterns of Caribbean*, Jay R. Mandle, purported that the historic failure of economic development of the English Speaking Caribbean can be treated as a single issue.<sup>14</sup> The author contended that the various territories of the region were exposed to a similar social structure and subjected to identical externally imposed political constraints in the form of colonialism. While this is true, it must be noted that since the era of independence, the different countries diverged somewhat from the path to

14. Ibid.

economic growth. Because of that detour, the platform for treating the Caribbean as a homogenous unit for the purpose of analysis becomes increasingly difficult. The essay discusses Caribbean development from the view point that, for there to be a comprehensive understanding of contemporary development in the region, it is imperative to understand the historical realities that tailored it.

Mandle's theoretical framework for understanding this phenomenon is a Marxian model. In this framework, the process of economic development centers on the application of scientific, engineering and technological knowledge to production.<sup>15</sup> Simon Kuznets, a leading empirical student on development notes that, "mass application of technological innovation...constitutes much of the distinctive substance of modern economic growth. In this context, underdevelopment is seen as a failure to apply modern technology to production."<sup>16</sup> The main theme of his argument is that the realities of underdevelopment in the region stem out of the social relations of the land owner versus the landless or the workers. Table 2 gives a snap shot of all CARICOM countries geo-spatial economic standings. The following section provides a summary of the geo-spatial economic standing for selected countries.

### **The Economic Standings of Selected CARCIOM Countries: Antigua and Barbuda**

**Barbuda** is a country located in the Caribbean with a land area of 440 Km<sup>2</sup>; it is one of the smallest countries in the world. Antigua and Barbuda, with a population of 100,963 people, is one of the least populous countries in the world -

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15. Ibid.

16. CountriesEconomy.com; <https://countryeconomy.com/countries/groups/caribbean-community>, accessed October 17, 2017.

229 people per km<sup>2</sup>.<sup>17</sup> The capital is Saint Johns, and its currency is referred to as the East Caribbean dollars. Antigua and Barbuda holds the 177th position by nominal GDP. Its national debt in 2016 was 1,259 million dollars, (86.22% debt-to-GDP ratio) and its public debt per capita was \$12,472 dollars per inhabitant. In terms of the human development index (HDI), used by the United Nations to measure the progress of a country was 0.786 points in 2015, leaving it in the 62nd place in the ranking of 188 published countries. It also occupies the 107th place in the “Doing Business” ranking, which provides objective measures of business regulations for local firms.<sup>18</sup>

**Barbados** is also a country located in the Caribbean, and has a land area of 430 Km<sup>2</sup>, and so it is one of the smallest countries in the world. Barbados, with a population of 284,996 people, is one of the least populous countries in the world and it has a high population density, of 663 people per km<sup>2</sup>. The capital is Bridgetown and its currency is referred to as the Barbadian dollar. Barbados holds the 156 position by nominal GDP. Its national debt in 2016 was 4,876 millions of dollars, (105.54% debt-to-GDP ratio) and its public debt per capita is \$17,110 dollars per inhabitant. The country’s human development index (HDI), which is the index used by the United Nations to measure the progress of a country, was 0.795 points in 2015, leaving it in 54th place in the published rankings of 188 countries. In business, Barbados ranks 132nd in the “Doing Business” rankings which provide objective measures of business regulations for local firms.

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17. Ibid.

18. Ibid.



**Belize** is a country located in Central America, occupying a land area of 22,970 Km<sup>2</sup>, and it is also considered quite a small country; although, in the context of the Caribbean, it can be considered relatively large, Belize has a population of 366,954 people. This makes it one of the least populous countries in the world and it has a low population density of 16 people per km<sup>2</sup>.<sup>19</sup> Again, in the context of CARICOM, Belize is a relatively large country; it is larger than almost all the countries in the Lesser Antilles.<sup>20</sup> The capital is Belmopan and its currency is referred to as the Belize dollar. Belize holds the 171st position by nominal GDP and its national debt in 2016, was 1,746 millions of dollars, (99.23% debt-to-GDP ratio), and its public debt per capita was \$4,759 dollars per inhabitant. The last annual rate of CPI<sup>21</sup> published on Belize in July of 2017 was 0.6%. In terms of the human development index (HDI) of Belize, which is the index used by the place, in published rankings of 188 countries.<sup>22</sup>

**Dominica** is a country located at Caribbean, it has an area of 750 Km<sup>2</sup>, and it is also one of the smallest countries in the world. Dominica, with a population of 73,543 people; it is one of the least populous country in the world, and it has a moderate

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19. Ibid.

20. The Lesser Antilles (also known as the Caribbees) are a group of islands in the Caribbean Sea. Most form a long, partly volcanic island arc between the Greater Antilles to the north-west and the continent of South America. The islands form the eastern boundary of the Caribbean Sea with the Atlantic Ocean.

21. The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

22. CountriesEconomy.com; <https://countryeconomy.com/countries/groups/caribbean-community>, accessed October 17, 2017.

population density of 98 people per km<sup>2</sup>.<sup>23</sup> The capital is Roseau and its currency is East Caribbean dollars. Dominica holds the 188th position by nominal GDP;<sup>24</sup> its national debt in 2016 was 432 million dollars, (72.66% debt-to-GDP ratio) and its public debt per capita is \$5,869 dollars per inhabitant. In terms of the human development index (HDI) of Dominica, which is the index used by the United Nations to measure the progress of a country, Dominica had a 0.726 points score in 2015, leaving it in the 96th place in the published rankings of 188 countries. Dominica is business, as in the 98th place of the Doing Business ranking, which provides objective measures of business regulations for local firms.<sup>25</sup>

**Grenada** is also located in the Caribbean, with a land area of 340 Km<sup>2</sup>, and so it is one of the smallest countries in the world. Grenada, with a population of 107,317 people, is one of the least populous countries in the world and it has a high population density, 316 people per km<sup>2</sup>. The capital is St. George's and its currency is referred to as the East Caribbean dollar. Grenada ranks 181 in terms of nominal GDP.<sup>26</sup> Its national debt in 2015, was 903 million dollars, (90.55% debt-to-GDP ratio), and its public debt per capita is \$8,452 dollars per inhabitant. In terms of the human development index (HDI) of Grenada, which is the index used by the United Nations to measure the progress of a country, Grenada was 0.754 points in 2015, leaving it in the 80th

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23. Ibid.

24. Nominal GDP is gross domestic product (GDP) evaluated at current market prices, GDP being the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

25. CountriesEconomy.com; <https://countryeconomy.com/countries/groups/caribbean-community>, accessed October 17, 2017.

26. Ibid.

place in the published rankings of 188 countries.<sup>27</sup> Grenada ranks 142nd in the Doing Business ranking, which provides objective measures of business regulations for local firms.<sup>28</sup>

**Jamaica** is a country located in the Caribbean with a land area of 10,990 Km<sup>2</sup>, and it is also one of the smallest countries in the world. Jamaica, with a population of 2,881,355 people, is one of the least populous countries in the world, and its population density is 262 people per km<sup>2</sup>. The capital is Kingston and its currency is referred to as the Jamaican dollar.<sup>29</sup> Jamaica holds the 12nd position by nominal GDP, and its national debt in 2016 was 15,892 millions of dollars, (111.92% debt-to-GDP ratio), and its public debt per capita was \$5,516\$ dollars per inhabitant. In terms of the human development index (HDI), which is the index used by the United Nations to measure the progress of a country, Jamaica was 0.73 points in the 2015 rankings, leaving it in 94th place in the published rankings of 188 countries.<sup>30</sup>

**Saint Vincent and the Grenadines** is a country located at Caribbean with a land area of 390 Km<sup>2</sup>; it is one of the smallest countries in the world. Saint Vincent and the Grenadines, with a population of 110,000 people, is one of the least populous countries

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27. Ibid.

28. Ibid.

29. Ibid.

30. CountriesEconomy.com; <https://countryeconomy.com/countries/groups/caribbean-community>, accessed October 17, 2017.

in the world. The country has a population density of 282 people per km<sup>2</sup>.<sup>31</sup> The capital is Kingstown and its currency is referred to as the East Caribbean dollar. Saint Vincent and the Grenadines holds the 186th position in the rankings of nominal GDP;<sup>32</sup> its national debt in 2016, was \$639 million dollars (82.93% debt-to-GDP ratio), and its public debt per capita is \$5,806 dollars per inhabitant. The human development index (HDI) of Saint Vincent and the Grenadines, which is the index used by the United Nations to measure the progress of a country, was 0.722 points in 2015, leaving it in the 100th place in the published rankings of 188 countries. Saint Vincent and the Grenadines occupy the 129th place in the “Doing Business” rankings which provide objective measures of business regulations for local firms.

In summary, the small sizes of the CARICOM countries and the vulnerability of their economies, has created windows of opportunity for the intervention of the IMF, in addition to other bilateral and multi-lateral actors, in the economic development of the region. Increasing economic crisis, huge foreign debts, uneven balance of payments relationships have affected all of these countries leaving them with no other alternative than to solicit the assistance of the IMF. In order to understand the rationale for IMF involvement in this region, it is first necessary to briefly discuss the IMF, its motives and the reasons for intervening in this region.

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31. Ibid.

32. Ibid.

### **The International Monetary Fund (IMF) and Its Policy of Structural Adjustment**

The International Monetary Fund (IMF) was established to facilitate world commerce by reducing foreign exchange restrictions. It also created a reserve of funds to be tapped by countries experiencing temporary balance of payments problems so they could continue trading without interruption. This pump-priming of the world market would benefit all trading countries, especially the biggest traders - the United States and Britain.<sup>33</sup> Also founded at Bretton Woods was the International Bank for Reconstruction and Development (World Bank). The World Bank was given the task of making post-war development loans for infrastructure projects (roads, utilities), which, because they were unprofitable, were not likely to be initiated by private capital. The Bank was also mandated to promote private foreign investment by means of guarantees or participation in loans and other investments by private investors.

The founders of these institutions hoped that by establishing ground rules before the end of the war, they could gird themselves against the twin threats of state-managed economies under socialist models and prevent international anarchy brought on by cut-throat varieties of nationalistic capitalism.<sup>34</sup> They saw that if the major powers did not ensure some access to big capital for the elites of less prosperous countries, those elites could adopt policies that would destabilize the world capitalist economy. Of course it was important for the United States not to repeat, at the time, the Great Depression of the 1930s; likewise, it was important to Britain and Europe to rebuild after the war ravages. It is

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33. Muhammad Yunus. Preface: *Redefining Development. 50 Years is Enough. The Case Against the World Bank and the International Monetary Fund* (Boston, MA: South End Press, 1994), ix.

34. Ibid.

important to note here a point made by Former Prime Minister of Jamaica, Mr. Michael Manley – that one should not forget, at the time of the creation of these institutions, much of the third world did not yet exist. Most CARICOM and African nations were not yet independent when these institutions were created.

### **Organizational Structure**

What exactly is the IMF? The IMF is an international organization of 189 member countries,<sup>35</sup> which works and operates similar to other international financial institutions. The Board of Governors comprise of ministers of finance or heads of the Central banks from each member country. They meet once a year. The IMF is accountable to the governments of its member countries. At the apex of its organizational structure is its Board of Directors, which consists of one Governor from each of the IMF's 189 member countries. All Governors meet once a year at the IMF-World Bank Annual Meetings. Twenty-four of the Governors sit on the International Monetary and Finance Committee (IMFC) and meet twice each year.<sup>36</sup> The day-to-day work of the IMF is conducted at its Washington DC headquarters by its 24-member Executive Board. The Managing Director is Head of IMF Staff and Chairman of the Executive Board, and is assisted by three deputy Managing Directors.

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35. International Monetary Fund, accessed November 5, 2015, <http://www.imf.org>.

36. International Monetary Fund, accessed August 11, 2016, <http://www.imf.org/external/about.htm>.

Today, the IMF still maintains its primary purpose. That is, to promote international monetary cooperation through a permanent institution. It also facilitates the expansion and balance of international trade, and contributes to the promotion and maintenance of high levels of employment and real Income. It also promotes the development of productive resources of all members as the primary objective of economic policy.<sup>37</sup> Additionally, IMF promotes exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation. Besides, it assists in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade. As a result, IMF gives confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards.<sup>38</sup> It provides members with opportunities to correct maladjustments in their balance of payments. The general idea is to protect countries from a financial nemesis domestically, and by extension, internationally. One of the IMF's most popular programs with developing countries such as the CARICOM is called the Structural Adjustment Program (SAP).

A typical Structural Adjustment Program includes:

1. Selling state enterprises to the private sector in order to make governments more efficient;
2. Raising producer prices for agricultural goods, so farmers will have the incentive to grow and market more food.<sup>39</sup> SAPs encourage countries to focus

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37. Ibid.

38. Ibid.

39. Danaher, *50 Years is Enough*, 3.

on the production and export of primary commodities such as cocoa and coffee to earn foreign exchange;

3. Devaluing local currency (in line with their world market value) to make exports more competitive in foreign market. SAPs generally require countries to devalue their currencies against the dollar; lift import and export restrictions; balance their budgets and not overspend; and remove price controls and state subsidies;<sup>40</sup>
4. Reducing government budget deficit by cutting consumer subsidies and charging user fees for social services such as health care and education;<sup>41</sup>
5. Encouraging free trade by dropping protectionist measures and by reducing regulation of private sector; and
6. Creating incentives to attract foreign capital.

In summary, this section discussed the overview of the Caribbean political economy. Included in the discussion were aspects of the geography, and the population of the region. The section also looked at several economic indices that indicate a picture of the region's economic standing. Admittedly, there is some variability along the different countries on the indices. Finally, the section portrays a discussion of the IMF programs. More specifically, the chapter presented an overview of selected CARICOM countries' economic standings. The next chapter presents a review of the literature, where the writer discusses the theoretical paradigm that shed light on this topic.

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40. The Whirled Bank Group: *Structural Adjustment Programs*, <http://www.whirledbank.org/development/sap.html>. Retrieved 11/05/2017.

41. Danaher, *50 Years is Enough*, 3.



## CHAPTER II

### REVIEW OF THE LITERATURE

#### **Paradigms of Development**

In this chapter, the writer presents information on the prevailing economic paradigms of development. It traces the origin of the concept of economic development and concludes with a detailed overview of the structural paradigm, the Expanding Capitalist Nucleus (ECN), Neo-Marxist paradigm, dependency, and the Maoist paradigms. Notably, one identifies the dependency theory of underdevelopment as the major lens through which this study is understood.

What is a paradigm? According to Thomas Kuhn, all science is governed by a schematic view on the part of the scientist of that aspect of the universe which is one's subject of enquiry. In a major text titled *Structure of Scientific Revolution*, Thomas Kuhn, contends that there are certain laws, concepts, ideologies and methodologies associated with a certain paradigm. Such associations ultimately guide the research of the scientist. It is important to distinguish between the concepts of theory and paradigm. A theory is the lens through which one understands a phenomenon, while the term paradigm is the method that one considers in achieving this phenomenon.

#### **Origin of Development Economics**

Developmental economics, as is considered today can be traced back to Latin America from the 1930s and 1940s, and to Western Europe and the United States from the

period of the mid-1940s to the end of 1950s. Ergo, both origins have quite distinct rationales. The Latin American economist, ergo was adjusting to the devastating problems coming from the Great Depression of the 1930s. This was compounded by the disturbances of the international economic system caused by the 1939-1945 war. The neo-classical theorist of the day, who advocated free-willed / laissez faire economics were confronted with empirical realities that challenged their approach. The defragmenting of the neo-classical apparatus inspired the Argentina Raoul Prebisch to make adjustments (ad hoc) to remedy these shocks. On the other hand, in the 1940s, as WWII was coming to an end, North America and Europe's attention turned to firstly, the maintenance stable economic systems and secondly, to the containment of the spread of communism to the third world. As a result, a new global order was created. Rostow, an American economist, described the situation as follows:

We the people of the United States have made a momentous choice. We have now clearly ruled out one conceivable approach to our international problem: namely military attack on the Soviet Union and Communist China initiated by the United States. The American decision has an important consequence; it means that the American people must find other ways for protecting their interests. The alternative to a total war initiated by the United States is not peace. Until a different spirit and policy prevails in Moscow and Peking, the alternative for the United States is a mixture of military, political and economic activity.<sup>1</sup>

Emphasis is placed here. Notably, the alternative to a sole military apparatus meant a mixture of political and economic policies as well. Rostow stated this point explicitly:

The United States must develop a more vigorous economic policy in Asia. Without such a policy our political and military efforts in Asia will continue to have weak foundations...Asia's economic aspirations are linked closely to the

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1. Diana Hunt, *Economic Theories of Development: An Analysis of Competing Paradigms* (London: Harvester Wheatsbeaf, 1989) 24.

highest political and human goals of Asia's peoples: and American economic policy in Asia has, therefore, important political as well as economic meaning.<sup>2</sup>

England expressed the broader strategy of domination of the Third World which is evidence of the writings of Rosenstein-Rodan's papers that proposed new "practical" strategies to survive the post-WWII economic development. The ideas expressed by Rostow speak to a wider strategy in which politics, and economics are mutually engaging. In other words, the political decision made in international relations had much consideration of the political economies of the nation-states involved in the decision making and or those who would be affected by these decisions. The following section maps out a summary of the Structuralist *modus operandi*.

### **Structural Paradigm**

The Argentinean economist Raoul Prebisch is often regarded as the father of Structuralism in Latin America. This is so, albeit his counterparts were neo-liberals. Structuralism has multiple definitions depending on scientific and cultural contexts. Blankenburg, Palma, and Tregema define structuralism as an essentially theoretical approach which challenges the methods of both empiricism and positivism, with plenty of its insights present in several disciplines throughout the social sciences and humanities. The guiding principle of this approach lies in the idea that each system should be studied as an organized set of inter-related elements and not separated into individual elements to be studied atomistically (organicity of the economic system).<sup>3</sup> In other words, the

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2. Ibid., 43.

3. Fabricio Missio and Frederico Jayme Jr., "The Structuralist Tradition in Economic Methodological and Macro Economic Aspects," *Revista De Economia Politica* 35, no. 2 (April/June 2015), accessed November 5, 2016, [http://www.scielo.br/scielo.php?script=sci\\_arttext&pid=S0101-31572015000200247](http://www.scielo.br/scielo.php?script=sci_arttext&pid=S0101-31572015000200247).

relations that constitute the structure are more important than their individual elements. Structural theory can sometimes turn into holism and give the whole precedence over the parts, yet the original aim of structural ideas - as against holistic ones - was to ensure that the whole could always be transformed, or else the whole-part relationship would be redundant. A structural method, if handled properly, should never congeal into structural wholes that overshadow their component parts.

Economic structuralism represents a holistic approach that comprises two basic concepts: one related to the economic system and the other to human nature. The first identifies the economic system as a non-equilibrium and evolutionary process instead of an equilibrating mechanism for stable economic relations centered in market activities, while the second conceives human behavior as characterized by customary patterns resulting from cultural conditioning. It is thus distinct from the conventional (or orthodox) economic point of view, which conceives human behavior as essentially dedicated to utilitarian motivation and to monetary calculus in a static market system. On the other hand, Di Filippo<sup>4</sup> understood that structuralism involves four characteristics: a systemic reading of society, a global view, a historic-structural perspective, and the multidimensionality of approaches. According to structuralism perspective, orthodox economic theory, in order to accredit itself as a positive science of market laws, needs to be abstracted from the specificities of productive structures, institutions, and the other sociological factors integrating the concrete reality of national economic systems. In the words of Taylor, “non-economic, or even

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4. Armando Di Filippo,, “Latin American Structuralism and Economic Theory,” *CEPAL Review* 98 (2009): 175-196.

none maximized, forces affecting actions are ruled out of discussion.”<sup>5</sup> The abstraction of these characteristics means, in the context of some macroeconomic problems, not only the propensity to confuse the fundamental causes and the sanctioning factors of these problems, but also their main weakness as guidelines to economic policy. Therefore, the critical posture of the structuralist approach towards orthodox economic thought is underlined. Such a posture defends an alternative form of economic investigation, such as in the Latin American structuralist comprehension of development and underdevelopment, which understands these phenomena as mutually constructive processes within an economically integrated world. In other words, it emphasizes the understanding of the world economy as a unified system with the economic dynamics of its constituting parts, center and periphery, which should be defined in terms of their relations. This analysis is different from those carried out by orthodox economics, which considers relatively independent units.

### **Origins of Structuralism**

In economic terms, structuralism is generally associated with ECLAC, whose works gave origin to this school of thought in the late 1950s. According to Arndt (1985), the term originally appeared as a reference to an explanation of the inflationary process in Latin America. Nevertheless, it is agreed that structuralist thought in its initial form was created by the economist Raúl Prebisch. In his 1949 manifesto, Prebisch introduced the notion of an international structure divided between an industrial hegemonic center and an agrarian dependent periphery, both of which determine the existence of an original and unequal development process. According to Bielschowsky, this approach has four analytical

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5. Lance Taylor, *Structuralist Macroeconomics: Applicable Models for the Third World* (New York: Basic Books, 1983), 3.

components: (1) an historical approach, based on the binary center-periphery opposition; (2) an international insertion analysis of Latin America; (3) a study of the domestic determinants of growth and technological progress; and (4) an evaluation of arguments favoring or against State intervention.<sup>6</sup> This emphasis on “structures” becomes clear, after the works of Prebisch and Furtado, whether such structures are economic, political or social in nature. According to Sunkel, given the structure of the system, the way it works is determined by the results the system produces. As such, structuralist scholars become conceptually known and recognized by their diagnosis in which “structural deficiencies,” “bottlenecks,” or “inner dysfunctions” are the factors responsible for the developmental divergences in Latin America. These “dysfunctions” have two fundamental sources: (1) those of foreign origin, such as the adverse conditions of trade and the limited capacity to import and (2) those of domestic origin, such as accelerated population growth, premature urbanization and the expansion of service sectors, as well as the underdevelopment of agricultural production, the reduced dimensions of the domestic markets and the presence of inefficient tributary systems. The identification of such factors in conjunction with the center-periphery construct (and the other theses associated with it) has allowed for the development of formal theories with strict connection to economic policy recommendations, which led Seers<sup>7</sup> to state that the Latin American school of ‘structuralists’ [...] must be the first indigenous school of economics in an underdeveloped area. Since economic growth is becoming increasingly fashionable as a

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6. Ricardo Bielschowsky, *Modern Political Economy and Latin America: Theory and Policy*, ed. Alexandre Mendes Cunha and Carlos Eudardo (Abington, United Kingdom: Routledge, 1985), 10.

7. Dudley Seers, “A Theory of Inflation and Growth in Underdeveloped Countries Based on the Experience of Latin America.” *Oxford Economic Papers* 14, no. 2 (June 1962): 192-193.

subject, and since the weakness in commodity markets, the population boom, and rising economic ambitions appear chronic, the school could acquire in the 1960s an international interest comparable to that of Keynesian economics during the slump-ridden decade of the 1930s.

At this point, it is necessary to highlight two essential aspects. First, one should underline the methodological aspects of Latin American structuralism. In this case, two different interpretations can be identified. According to authors such as Gibson and Jamenson, it would be possible to identify a considerably large part of the origins of economic structuralism, especially that which surfaced in the 1940s and 1950s, as a product or extension of preceding works in other, pre-existing fields of knowledge such as in Levi-Strauss (anthropology), Godelier (sociology), Piaget (psychology), Foucault (philosophy), among others.<sup>8</sup> In this context, Love states that Latin American structuralism is “one” among a “family” of structuralisms.<sup>9</sup> Also, that some of the central elements of ECLAC thought could be found in preceding works, such as in the French “structuralist” school<sup>10</sup> or in the German historic economics school,<sup>11</sup> in the Marxist school or in the Keynesian, post-Keynesian and neoclassical traditions.

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8. Bill Gibson, “An Essay on Late Structuralism,” in *Development Economics and Structuralist Macroeconomics: Essays in Honor of Lance Taylor*, ed. A. Dutt and J. Ros (Cheltenham, UK: Edward Elgar, 2003), 17.

9. Joseph L. Love, *The Rise and Decline of Economic Structuralism in Latin America: New Dimensions*, *Latin American Research Review* 40, no. 3 (2005): 100-125.

10. Stephanie Blankenburg, José Palma, and Fiona Fregenna, “Structuralism,” in *The New Palgrave Dictionary of Economics*, 2nd ed., ed. Steven N. Durlauf and Lawrence E. Blume (Basingstoke, UK: Palgrave MacMillan, 2008), 10.

11. Love, *The Rise and Decline of Economic Structuralism in Latin America*, 101.

The key tenets of the Structuralist paradigm include:

1. An underdeveloped is characterized not only by a low per capita income but by certain important structural features: The later includes (a) the sectoral composition of output, employment and the capital stock; (b) economic institution including agrarian system (c) the joint effect of the foregoing on elasticity of supply and demand.
2. Some of the key structural features of undeveloped economies are: (a) the juxtaposition of traditional agricultural sector using a technology with low levels of productivity and a modern sector using much more advanced technology; (b) the modern sector is usually established by foreign capital engaged in the primary production of exports, (c) the modern sector is characterized by a high degree of openness (ergo: a large proportion of outputs are exported and a large amount of its requirement both capital equipment and the manufactured consumption goods are imported; (d) the indigenous agricultural sector of the underdeveloped countries are characterized by land tenure which constraints the expansion output; (e) undeveloped economies are characterized by domestic supply rigidity in key branches of the economy, and high income and low price elasticity of import demands in the modern sector. This eco-elasticity of supply and demand means that undeveloped countries do not respond effectively to conventional monetary measure controls.
3. The aforementioned points above are characteristics that inhibit internal growth. Whereas, low elasticity of supply and demand creates inherent tendencies toward inflation and balance of payments crises.
4. Economic development consists more than just raising per capita incomes but also structural transformation. Therefore, the economic structure of underdeveloped economies needs to change to acquire the internal capacity to initiate sustainable growth.<sup>12</sup>
5. The main centrist to economic development is the structural features mentioned above. Policy recommendations focuses finding ways in government can private producers change these structural characteristics through the promotion of import substitution in individual undeveloped countries and the establishment of common markets among underdeveloped countries. The intention is to develop their industrial sector and to diversify the structure of domestic production into patterns capable to sustaining economic development.<sup>13</sup>

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12. Ibid.

13. Ibid.



6. Main policy instruments are tariffs and quotas, foreign exchange rationing, low formal sector interest rates and tax concessions to industrial investors. Foreign is welcome as potential purveyor of finance and technology.<sup>14</sup>
7. Underdeveloped countries cannot expect to replicate the development path of the now industrially advanced countries due to the nature of their position in the international economy. Here in lies a diversion from the expanding capitalist nucleus.
8. Still, the industrially advanced countries can assist in the development of the periphery by opening their markets to its exports and by providing financial aid to ease foreign exchange.<sup>15</sup>

### **Structuralism and Its Practical Applications**

Structuralism started from the criticism that targeted neo-classical theory especially its advocacy of free trade and comparative advantages. On the other hand, its proponents did not accept the proposition of the expanding capitalist nucleus paradigm that low saving is the main barrier to development. Structuralism instead emphasizes the importance of economic incentives, which require the availability of foreign currency to purchase the necessary capital goods. According to the author, Structuralists characterize underdeveloped economy by low per capita income coupled with structural properties related to production, employment, capital stocks, economic institutions, and agricultural systems that prevail in the economy and their impacts on demand and supply elasticities. Such an economy is characterized by a backward agricultural sector of low productivity and a modern but small sector using high technologies. The latter is usually specialized in the production of raw materials for exports, is very open to foreign markets upon which it relies for equipment and technology, and owned by a class whose consumption relies mostly on imports.

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14. Hunt, *Economic Theories of Development*, 122.

15. Ibid., 123.

The agricultural sector, on the other hand, is governed by land tenure and investment regulations that limit its expansion. This means that the economy as a whole faces great difficulties in expanding output due to the absence of economic incentives that result from the dual structure and the predominant property and productions systems, and due to the continuously increasing demand for imports as incomes rise or/and population grows. Therefore, the structuralists regard government intervention the key to sustainable development through the restructuring of the national economy to allow the domestic producers to change their structural properties and move to the production of import substitutes, and to create common markets among neighboring countries enabling the domestic industries to diversify the domestic output and become able to achieve sustainable development. Emphasis placed here. Land reform is thus considered a key policy instrument but the most important ones are the imposition of levies and taxes on imports and the rationing of foreign currency to serve the restructuring process. Similar to the expanding capitalist nucleus, structuralism also recommends low interest rates and some tax exemptions in important sectors. Foreign investment is welcome as a source of finance and technology, but must not dominate the economy.

### **Expanding Capitalist Nucleus**

This paradigm was principally articulated by a number of economists, formally educated according to the principles of neo-classical and Keynesian theories, but early realized their shortcomings for developing countries. Neo-classical theories assumes full employment of resources and have not presented a comprehensive thesis to approach development since it has only focused on short-term questions as development is assumed

to be guaranteed in the long-term. These assumptions certainly do not hold in the contexts of developing countries; neither do some assumptions of the Keynesian theory such as the existence of unlimited production factors in the short-run in addition to the Keynesian assumption that the most important barrier to development is the increase in savings that will not find reinvestment opportunities. Therefore, Lewis found it useful to return to classical literature of the eighteen and nineteen centuries that departed from the assumptions of limited resources, coupled with abundant labor force receiving very low wages; economic characteristics similar to those present in most developing countries. The Diana Hunt summarizes the paradigm relying mainly on the work of Lewis (1954). Interestingly, one introduced Sir Author Lewis in the introduction section on this research. A few of his popular publications include: *Unlimited Supply of Labor* (1954), *Economic Survey* (1918-1939), *Principle of Economic Planning* (1949), *Theory of Economic Growth* (1955), *Development Planning* (1966), and *The Agony of the Eight* (1965). Lewis was convinced that the most influential cause of underdevelopment is the lack of savings to be reinvested. Therefore, he started analyzing developing economies assuming that they are composed of two main sectors: one large but poor and mainly based on peasant production, characterized by considerably unemployed labor force; while the second is small but profitable and advanced and based on capitalist investments. This modern sector expands and reinvests the profits and continues to absorb the abundant labor force from the peasant sector. According to this line of thought, capitalists are considered the pillar of development process since their capacity to save and reinvest savings is the highest. Lewis assumed that peasants and workers can hardly survive due to their very low wages and

landlords have a high propensity to consume, and when they save they invest the savings in purchases of new land and/or already existent investments. Thus, only capitalist class can save and reinvest savings in newly created projects that increase output and employment. However, Lewis did not hesitate to support state capitalism once he recognized the capability of governments to accumulate capital through mobilizing profits and taxes to reinvest it in suitable productive activities. Diana Hunt provided a description of a 'socialist version' of this paradigm describing the Soviet Union development strategy under the rule of Stalin.

Hunt also noticed the optimism of the theory through its implied expectations over the prospects of development according to which once the modern sector emerges, development become a question of time and its pace is only conditioned by technological advances in the modern sector. Emphasis placed here. This optimism is not affected by Lewis's expectation that the beginning of capital formulation will probably depends on foreign sources. Policy implications of this paradigm was majorly in line with the capitalist framework through relying on market forces as mechanisms for economic organization, but it diverted from neo-classical theory in recognizing a leading role of governments particularly during early stages of economic growth. It was also characterized by its bias against agriculture to guarantee the continuous flow of cheap labor to the modern sector that was necessary to encourage investment. It also recommended strict control over imports with the exceptions of technology and capital whose imports were encouraged. With respect to monetary and fiscal policies, it emphasized the importance of money expansion and decreased interest rates to boost investment.

### **Purpose of Theory According to Lewis**

The following sections denote the Expanding Capitalist Nucleus as expressed by Sir W. Arthur Lewis. Lewis noble price winner of economics is well known for the dual sector model. The writer presents this model by noting the assumptions, theory, the surplus sector (capitalist) and the subsistence sector, the criticism, empirical applications of the model.

In 1954, Arthurs Lewis defined his purpose of the use of classical analytical framework in solving the problem of economic growth in contemporary poor yet high supply of labor countries. Lewis challenged both neo-classical theory and Keynesian economic theory. He contended that neo-classical theory is faulty because it assumes full employment resources. Furthermore, neo-classical perspective concentrates mainly on the long-term growth, and therefore does not propose immediate remedies for rescue economic problems of underdeveloped countries. Keynesian theory is faulty because it assumes unlimited supply of not only labor abut capital and land.

Hunt<sup>16</sup> extended the review to cover other contributions starting by Rostow (1953) on stages of growth discussing in some details his concepts of ‘take-off’ and ‘leading sector’ (Rostow, 1956). This is followed by discussing the extensions of Ranis and Fei (1961) on transition to self-sustained growth and contributions of many others on investment criteria, technical choice and savings mobilization. At the end, she summarizes the main criticisms levied against the paradigm. The main weakness of the paradigm according to the author is the model’s heavy reliance on closed economy assumption. Nowhere in the models of Lewis, Rostow, or the others, was a discussion of

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16. Hunt, *Economic Theories of Development*, 122.

the mechanisms in which technology is transferred to and adopted in a poor underdeveloped country. Here in, one sees an underlying theme as expressed by Rodney's *How Europe Underdeveloped Africa*. Ergo, the relationship between the global North and global South was exploitive with little or no investment in the global South. The import of technology will probably keep the importing country dependent on the technologically advanced countries as production activities may have few or no forward and/or backward linkages especially when it comes to heavy industries. Here in one sees consistency with Lloyd Best and Kari Levitt, who considered dependency to be a general situation where the economic growth of a country is determined by exports, imports and technological advancement. This can certainly exacerbate the balance of payments deficit and deprive the developing economy of the multiplier effects of backward and forward linkages. The paradigm totally ignores the question of internal low demand and its potential impact in savings. It consequently predicts that although growth will occur certainly in the short-run it will only bring improvements to the masses in the long-run when the capitalist modern sector becomes dominant. The theory ignores the existence of external factors constraining development such as difficulties in obtaining hard currency to finance imports of technology, and it instead emphasizes the internal obstacles to development especially the social structure and the present social institutions. But its analysis was confined to the role of this internal bodies and relations in accumulation of savings, being the main drive of development. It never approached the question of internal obstacles from policy perspectives that aimed to change the institutional settings in ways other than expanding the capitalist nucleus.

### **Neo-Marxist Paradigm**

Neo-Marxist paradigm hails from an attempt to develop and adapt to the traditional Marxist theory. This apparatus gained meaning influence in the late 1960s, proving a radical critic to the ideological and analytical frame work of contemporary development theories. Neo-Marxist draws from the ideas of Lenin and Marx. One has observed two major unique features to this paradigm. One and most applicable to this study is the effort to investigate a problem that Marx and Lenin had barely surfaced. Ergo, neo-Marxist have sort to explore the process of economic change in the economies of Asia, Africa, Latin America and the Caribbean. Secondly, while other theories developed during the 1950s and 1960s concentrated on the relationship between the core countries and the periphery, neo-Marxists focused more on the periphery. That is, proponents of this paradigm seek to understand the causes for underdevelopment in the periphery. Although their key concepts and analytical framework largely derives from Marxism, these scholars are explicitly politically engaged in their writings. Ultimately, their purpose is to expose the nature of the exploitive capitalist system in an effort to foster revolutionary change.<sup>17</sup> Clearly, these scholars have submitted their work to academia and expect it to be judged on its ability to expose ceases of underdevelopment in the periphery. It is in this context partially, that one presents the work of Paul Baran's analysis of the causes of underdevelopment in addition to presenting main tenants of this paradigm. The main tenant of neo-Marxist perspective includes the following:

1. Economic underdevelopment is a process whose dominate feature is the persistent outflows of economic surplus generated in the periphery to the

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17. Hunt, *Economic Theories of Development*, 162.

advanced capitalist economies. The concept of surplus is understood as the difference between actual or potential output and actual or potential consumption.

2. Economically underdeveloped countries are characterized by low average per capita income and by slow rates of accumulation.
3. In terms of implication of policy and application of theory, economic development in relation to surplus national reinvestment must and expansion output must to be equitable distributed.
4. The prospect for economic growth in a capitalist system is determined by the position of that state in the international economy.
5. Fundamentally underlying concepts of neo-Marxist analytical method are adoption of a historical perspective and a focus on the class distribution of wealth and control over the surplus outputs.
6. These unequal exchange relations, initially often imposed by forces continue to this day, and it essential they impede capitalist development in the periphery.
7. International exchange with the center has destroyed pre-capitalist artisan production in periphery and has largely removed the incentive for indigenous capitalist industrial development there.
8. Competition from the manufactured exports of the center continues to undercut the incentive for industrial development in the periphery.
9. The industrial development which has occurred consists predominately of a limited range of industrial monopolies which are owned either by nationals or foreign capitalist. These owners repatriate the profits gained in the periphery back to the core countries.
10. It makes sense that the dominant classes in the periphery (Commercial Bourgeoisie, foreign capitals, landlord) given their sources of income, are not interested in the sustaining development of producer capitalism (in the periphery). To do so would essentially mean to develop apparatus that would eventual undermine their dominate status.
11. The contemporary underdeveloped economies (Asia, Africa, Latin America and the Caribbean) cannot go through the same phases of economic development as the core countries because international environment has changed irrevocably. How? Due to the reality point: see (10) as noted above, the phase of national competitive capitalist development (that exist when



capitalism is at its most dynamic stage) has been undercut in the periphery by foreign competition.

12. Full economic development can only occur after radical political change.

### **Paul Baran's Analysis of the Causes of Underdevelopment**

The primary articulation of neo-Marxist perspective on underdevelopment is Paul Baran's *Political Economy of Underdevelopment 1957*. Baran moved to the United States after his studies at the Plankhanov Institute of Economics in Moscow. He completed a Master of Art from Harvard. He considers himself both a socialist and a Marxist. After WWII, his Baran studies focused on three international issues: the vicissitudes of monopoly capitalism during its current period of decline, the fall of nascent socialist societies Europe and Asia, and the circumstances of underdeveloped economies. One focuses here on the later.

The main theme of Baran's *Political Economy of Underdevelopment 1957* interestingly is similar with earlier works of Nurkse and Myints inter alia. Ergo, growth is constrained by both low savings and lack of investment. The later hails primarily from the low domestic demand, and virtually a non-existence of external economies and physical infrastructure. The former (low savings), exist since the masses are inherently poor to begin with, coupled with the high consumption of the élites class (land owners and urban upper-class). In order for growth to occur there must be state intervention both by the implementation of a progressive tax system and public sector investment.

The underlying thesis of Baran's analysis of constraints stems from the understanding of the nature of, and motivation of class alliances, which holds state power. At convergence with other neo-Marxist the determinate is to achieve surplus and to maintain the status quo. Thus, similar to Marxism and later other neo-Marxist, the prospect for development in the periphery

upon an indigenous capitalist bourgeoisie is essentially non-existence. An understanding of this internal contradiction, therefore, the driving force and the pattern of evolution of capitalism itself is paramount to then understand how capitalism generates underdevelopment.

To fully digest underdevelopment from Baran's contributions, one points to his four key concepts of underdevelopment. These include: monopoly capitalism, imperialism, class and surplus. Indeed Baran's adopted Marx's view on the nature of capitalism, and Lenin's view on Imperialism. He perceives imperialism as the political and military manifestation of the search for economic surplus. Class is defined much in the sense of Marx's form of the word. Ergo, social category representing a group individuals that shares the same socioeconomic circumstance, *inter alia*. That is they share the same relationship to the means of production and the same rights over the output of labor. Unique to Baran's is his narrow view of the distribution of the surplus rather than the social relations in the production process. To his credit Baran brought about the concept of actual and potential surplus. Actual surplus is the difference between the society's actual current output and its actual current consumption. The potential surplus is the difference between what could in a given natural and technological environment with the help of employable productive resources. He uses the notion of potential surplus to expose the wasteful and irrationality of the monopoly capitalism in areas such as advertising and military engagements.

### **The Origin of Underdevelopment and the Morphology of Backwardness**

Paul Baran presented his analysis of underdevelopment into two sections. Firstly, he claimed that historical realities of colonialism have left the global South in an unpropitious stage of underdevelopment. Secondly, he contended that the class alliances

arising out of this backward system have continued to perpetuate this dire underdevelopment. Baran's first assertion is somewhat at divergence with Marx. Whereas Baran views seventeenth and eighteenth century Western Imperialism as a period of European merchant's extraction and exploitation of the global South through lopsided trade relations, Marx considered European capitalist development as merely an image to the periphery. To the periphery, a developed Europe is a picture of its (periphery's) future.<sup>18</sup> Interestingly, however, Baran demonstrated why capitalist development in the periphery cannot be achieved. The relationship that evolved between the global North and periphery has effectively blocked development of the periphery even in these contemporary times.

The morphology of backwardness stems from the existence of the situation that the peripheries are in, and will continue to perpetuate. He pointed to the fact that most periphery economies are predominately rural and that the marginal productivity of labor is close to zero. That agriculture alone cannot bring about development. Therefore, industrialization is essential to absorb the excess population in agriculture. That the markets are very small domestically, adding to the competition for cheaper and/or better quality foreign products. That due to all of the above mentioned there are low tax revenues, which makes it difficult to finance public investment projects.

Writing in the 1950s, Baran asserted that most of the revenue that was generated in the underdeveloped countries is in agriculture. The surplus earned from production hails from the subsistence peasants or commercial production. Much of the surplus from the subsistence peasants (smallholdings) are paid back in rent, merchants, and to the

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18. Hunt, *Economic Theories of Development*, 167.

government in form of taxes. This leaves the peasant unable to accumulate any significant wealth. Thus little or no finances are available for any meaningful investment toward development. Likewise, the feudal land-owning class does not reinvest in the development of the economy either. Much of the surpluses earned are spent on consumption. Large shares of their surpluses go toward lending to peasantry, purchasing more land for rent or urban real estate. The land owning class does encourage the peasants to enter into agriculture. As a result, the two classes within an underdeveloped society do not work toward development of the society. It is here that the neo-Marxist Baran converges with Lewis on the point that the capitalist nucleus has the ability to reinvest in the society. However, similar to the structuralist, Baran purported that the capitalist have failed to do so. It would reason that the only apparatus for development would be external. It makes sense that Baran considered the aspect of foreign capitalist investment.

The foreign capitalist relationship with the periphery is in primary industry and the mode of operation is mainly extraction. In the context of the Baran thesis, this venture proved to be very lucrative for the capitalist. It would stand to reason changing the circumstances in the periphery, from underdeveloped to developed, would be against the interest of the foreign capitalist. Added to this point, Baran has also identified five reasons why capitalist development in the periphery is unlikely:

1. The concept that there is an expansionary multiplier effect in investment is true—but true for core countries and not the periphery. The investment in equipment is foreign, and that too must be imported. Additionally, there is a high cost in paying salaries to expatriate skilled workers who remits these surpluses to the core and not the periphery.
2. The investment in infrastructure are planned, and targeted towards the interest of the foreign enterprise and not the development of the capacity of the

periphery. For example the investment in transportation is designed to facilitate the movement of goods from the periphery to the core; not necessarily the development of the peripheral infrastructure for development sake.

3. The reinvestment of profits is determined by the conditions in the global economic market, and the interest of the foreign firm. In retrospect, only a fraction of the profits comes from the periphery and thus little investment is concentrated there.
4. There is much overgrazing, over cropping and deleting farm land in the periphery.
5. Admittedly, a portion of monies are invested in the form of taxes to the local government. However, much is dependent upon how the government chooses to reinvest these monies.

It would reason then, that if the foreign producing firms will not undergo meaning reinvestment in the periphery, then perhaps the local small middle class might do so. Baran argues that this too is not possible since the local middle class has emulated the consumption practices of foreigners and thus has little to reinvest. Furthermore, the local producers are discouraged by the structure of the state and the interest that it promotes. This is so because the state in many instances tends to promote the interest of foreign producers and not necessarily create an environment that would foster local production or growth.

The underlying rationale that supports this seemingly illogical behavior stems from the alliances that are forged between the struggles of the class in the year of independence. Admittedly, the movement towards independence was a populist movement with support from all classes including the working class, and the urban class or the petite bourgeoisie. The consensus was from all groups was the idea of self-representation and building societies that provides equitable distribution of resources. However, the latter could only be achieved only if the state and the urban class provided land rights and funding as incentives to create a more inclusive producer class. Doing so would actually undermine the power of the

petite bourgeoisie. The landlords and the state officials, even after independence, are more concerned in maintaining their privilege status than creating an environment that would in effect provide competition to their positions.

Baran concluded his analysis of underdevelopment of the periphery with some recommendations towards development. He advocates several key elements of socialist development. Therefore, he purported Stalinist path to economic development. This involves the aggressive collectivization of agriculture and speedily expansion of capital accumulation in state-owned industry. That part of his theory has been criticized for not being original, and provided the basis for further exploitation of the neo-Marxist school.

### **Maoist Paradigm**

This section presents the Maoist perspective on development. In this section one examines a rationale of why the writer considers this information applicable to this research, presents historical emergence of Maoist paradigm and show main elements of this paradigm along with some associative tenets from Stalinism. The writer also presents the practical policy aspect of this paradigm. Admittedly, some of the policy implications from the Maoist school of thought are sensible policies that can be adapted by CARICOM governments toward sustainable development.

### **Why Study the Maoist Perspective**

Increasingly, China is becoming a dominate play in the international system particular Caribbean-Chinese relations. The main relation includes trade, credit and investments. A cursory look reveals that the relationship seemingly is not a zero-sum game as with precious investors in the Caribbean. At least, with the Chinese there are tangible, signs of infrastructural development as

a result of these relations. For example, Jamaica has become the hub of the Chinese presence in the Caribbean, and is now home to the regional offices of the state owned Chinese Harbor Engineering Company, (CHEC) which is building the highway link road. Recognizing the stiff austerity measures from the IMF and other IFT's Jamaica and other CARICOM Countries are looking for alternatives. In a country in the grip of austerity imposed by the International Monetary Fund, and where poverty has doubled since 2007, according to the Centre for Economic Policy Research, the arrival of the Chinese is seen by many as the only hope. It makes sense that in December of 2016, the Chinese completed what is the largest investment in the Caribbean stretching some 67 km (41.6 miles) north to south across Jamaica, the \$600m four-lane highway skirts around a mountain and will eventually be lined with luxury hotels, restaurants and bars.<sup>19</sup>

The highway is nicknamed the “Beijing highway” after the Jamaican sprinter Usain Bolt. Bolt reportedly turned down a chance for the road to carry his name – the state-of-the-art tolled carriageway is the most striking sign that the Chinese treasure ship has arrived in the Caribbean. The red and gold flag of the People's Republic flutters over the construction site, where hundreds of Chinese workers reside in camps and trucks are lined up in military precision.

Dominica has gained notably infrastructural development includes highways spans around the island, the erection of international standard sports stadium and the construction of bridges among others. Recently, Trinidad and Tobago entered into a bi-lateral investment partnership with asphalt coming directly from Trinidad to China. Trinidad has started to exports oil and liquid natural gas directly to China. Richard L. Bernal published “China's Raising Investment in the

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19. Sandra Laville, Beijing Highway: \$600m Road Just the Start of China's Investment in the Caribbean. *The Guardian*, Kingston Jamaica, accessed November 5, 2016, <https://www.theguardian.com/world/2015/beijing-highway-600m-road-just-the-start-of-chinas-investments-in-caribbean>.

Caribbean” a very telling piece that epitomizes the increase of Chinese FDI<sup>20</sup> in the Caribbean. One figures that it would make sense of all Caribbean countries that have a relationship with China or that may be considering a relationship with the fastest growing economic nation in the world, to understand the political economic paradigm that served as the catalyst that propelled that nation into this successful position.

Earlier in this section, one noted that the relation was not a zero-sum game but rather a win-win situation. China too benefits in ways that the Chinese considers pivot to its interest. Several CARICOM countries are engage in “diplomacy dollar”<sup>21</sup> with China. China is seen as a pragmatic alternative to the United States hegemonic influence in the Caribbean. China has been more sympathetic to the Caribbean demand in an era when Washington seems to be less concerned with the Caribbean pains. The Chine has epitomized their willingness to be involved by the recent construction in the Panama Canal. China has increased its military exercise and training to some of the non-military Caribbean states. Notably, increased FDI, an alternative to the U.S. hegemonic influence, and to understand the economic paradigm that propelled China into this mammoth economic contender, are all meaningful rationales that one felt the need to explore Maoism.

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20. Foreign direct investment (FDI) is an investment made by a company or individual in one country in business interests in another country, in the form of either establishing business operations or acquiring business assets in the other country, such as ownership or controlling interest in a foreign company.

21. This involves an attempt to switch several countries from recognizing Taiwan as an independent nation in exchange for Chinese investment; to uphold the one China policy for economic favors.



### **Theoretical Heritage of Maoism**

By the turn of the twentieth century, a proportionately small yet socially significant cross-section of China's traditional elite (i.e. landlords and bureaucrats), found themselves increasingly skeptical of the efficacy and even the moral validity of Confucianism. These skeptical iconoclasts formed a new segment of Chinese society, a modern intelligentsia. Proposing the "total destruction of the traditions and values of the past," the New Culture Movement was spearheaded by the *New Youth*, a periodical which was published by Chen Duxiu and which was profoundly influential on a young Mao Zedong. His influence stemmed out of the Marxist-Leninist school of thought, Mao adopted several aspect of former soviet model. Here are six important features of the Stalinist model that was important to the Chinese.

1. The view that nationalization of capitals property in the transition toward socialism should be focused on the development of the productive forces.
2. There is utility in the use of primitive accumulation in order to extract resources from agriculture.
3. The significance of the centralization of national economic planning and management.
4. The importance of one-man management and the necessity for expert to develop industrial sectors.
5. The mistrust of the capacity of the peasantry to spontaneously and voluntarily socialize agriculture, matched in practice by forced collectivization of the Soviet model of 1929.
6. That priority is given to the creation of large heavy industries.

## **The Main Tenants of Maoist Paradigm**

While Mao deduced much from the Soviet Model, his adaptation was unique in several respects. To begin with, whereas Marxist-Leninist view saw the growth of socialism as a result of the destruction of capitalism through the capitalist own contradictions, the Marxist-Leninist school of that did not provided a complete map that laid out the pragmatism of socialism. Therefore, the development of the Chinese socialism was not totally an adoption of the Soviet Model, but indeed the Chinese had innovative diversions. For example, Mao saw the need for collective leadership as opposed to one man control.<sup>22</sup> Still, Mao did concur to the core of Marxism ergo: (1) Marx's analysis of the relationship between the level of development of the forces of production and the relationship of production and (2) Marx's analysis of class struggle.

The key Features of the Maoist paradigm include:

1. The main goal of economic development is to achieve material abundance with income differentials abolished and all productive property socially owned and operated.
2. To achieve this, it is necessary to build the economy's productive capacity and to socialize the production that fosters the social ownership of the means of production, the social control of production decision making and social control of the distribution of products.
3. Investment in modern a heavy industrial sector is pivotal in the transformation to a high growth economy.
4. The rate of development of heavy industry will depend upon the extent of surplus that can be mobilized to support such investment.

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22. Hunt, *Economic Theories of Development*, 231.

5. In poor and undeveloped economies this surplus can come from two source areas:
  - A. profits from existing industries
  - B. Extraction of surplus from traditional sector through taxes, pricing policy and savings from the people's bank
6. This point is salient. That is, the pace of social and economic transformation must be determined by the mass of the population. Given the already deplorable state of wide spread poverty and the dire need for political support—the income of the masses cannot be reduced. Rather the welfare of the masses must rise.
7. This point is very pragmatic. That is, the ideal process to development must find the right balance between heavy industries, light industries and agriculture. There idea is to ensure adequate accumulation of welfare by the masses to sustain a revolution.
8. Much can be deduced from this point. That is to recognize and provide incentive to the key sectors of light industries and agriculture. This is so for two main reasons:
  - A. they both produce consumer goods
  - B. the expansion of these sectors will increase the overall rate of surplus accumulation. This is particularly true because the gestation period is much shorter and capital pay-back is quicker compared to heavy industries.
9. It makes sense that the consequences of the expansion of light weight industries are as follows:
  - A. expand the supply of consumer goods
  - B. expand the supply of rural produced goods
  - C. provide, out of profits, funds for agricultural construction
  - D. make contributions to the expansion of employment and facilitate the development of the technical and innovative skills of the labor force help minimize the competition between the rural sector and the modern sector for scares state resources.

10. Economic equality and economic incentives:

- A. economic and political regions should be promoted by allocating a lion's share of industrial investment to backward regions; promoting regional self-sufficiency in basic industries and food stuff; and allocating greater power to decision-making to the region.
- B. Income inequality among persons should be reduced with immediate effect. Professionals should work among the masses to help to each value skills thus will render a large and competent workforce.

There are four main facets of the Maoist segments.

1. The recognition of key linkages between sectors and the significance of technological choice.<sup>23</sup> Some of the policy instruments included in this shift is as follows. To include agricultural tax and pricing policy and gain revenue that would finance new investments. The intensive investment in agriculture can serve as a fitting linkage during the slack period in industries. Also, juxtaposing an economy base both on agriculture and industry producing both producer good (from agriculture) and consumption goods.
2. The importance of following the mass line. The mass line is the political, organizational and leadership method developed by Mao Zedong and the Chinese Communist Party (CCP) during the Chinese revolution. The essential element of the mass line is consulting the masses, interpreting their suggestions within the framework of Marxist-Leninism, and then enforcing the resulting policies. This method may not necessarily closely resemble the original suggestion.
3. The relative significance of the development of the productive forces, production relations, and the political and ideological super structure. Moa forwarded some critic to *Political Economy: A Textbook* and *Stalin's Economic Problems of Socialism in the USSR*. Moa emphasized the need for continuing development of the political and ideological superstructure and the production relations during the phase of the socialist construction.
4. The recognition of the significance to continue the class struggle.

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23. In 1956, Mao made a statement entitled "The Ten Great Relationship" in which he alluded to "proposing our line of constructions." In essence, he forwarded policy shifts, one of which is recognizing the importance of heavy industry, but advocating for the need to increase investment toward agriculture and lighter industries.

Some of the policy implementations of the Maoist paradigm include the following areas:

- Land Reform
- The overall rate of accumulation
- The sectoral composition of investment
- Industrialization strategy
- Technology
- Tax policy, price policy and the terms of trade between agriculture and industry

### **Discussion of the Concept of Development**

#### **Prevailing Paradigms of Development**

In the *Structure of Scientific Revolution* written in 1962 by Thomas Kuhn, the author purported that all science is governed by a schematic view on the part of the scientist of that aspect of the universe which is one's subject of enquiry. Of this "schema," there are certain fundamental laws that the scientist accepts, certain theories that he accepts, an accepted methodology, and although one may not always be aware of this - there are certain values which govern one's approach. "The methodology that the scientist applies in seeking to solve problems will directly reflect them."<sup>24</sup> The scientist's statements are governed by certain concepts. the style are of a particular language that is often readily understood by those who share his vision, but not necessarily those outside the distinctive intellectual framework or gestalt, as Kuhn describes it.

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24. Ibid., 4.

The concept of paradigm as noted in the *Structure of Scientific Revolutions* aroused some debate on the definition and the clear meaning of the word “paradigm.” To which Kuhn later reintroduced the term as meaning an “exemplar.” Diana Hunt, in her text entitled *Economic Theories of Development*, operationalized the term to clearly defined parameters. To this end, paradigm is applied to the interpretation of the process of development and/ or underdevelopment. Notably, a paradigm must have the following:

1. It can be clearly seen to have the above: ergo, it is governed by certain concepts, and value system.
2. It has gained the approval of a large group of intellectuals.
3. It has outlined additional alternative approaches following their preliminary articulation.
4. It has directly or indirectly been applied to practical activity, for example government and/ or International Financial Institution policy formation.

Kuhn’s 1962 document, “The Structure of Scientific Revolutions,” has received both positive purposive value as well as criticism. Interestingly, when Kuhn developed the concept of a scientific paradigm part of the rationale was to determine the causes of the emergence of new paradigms. Two reasons came out of this research. First, the failure of existing paradigm to explain or solve key problems and second, rationale denotes that external factors may help explain the timing of new paradigms. One of the examples used to demonstrative this is view that the influence of the church doctrine and belief upon the development of European scholarship in the Middle Ages. On the other hand, one of the

criticisms of this study suggest that the study is overly rigid and does which does not allow for subtle variations in perspectives.<sup>25</sup>

Around the 1940s and 1950s, economists began to concentrate on the collection of data and association of problems that were unique in the search for new analytical perspectives on development. The main focus was to understand the causes of relative poverty of underdeveloped countries and the potential routes these economies can push toward economic progress. The writer has visited several of these works in previous chapters of this study. However, prior to that era, the main preoccupation of economic study were largely focused on dynamic macro-economics. That is, study of variables and relationships which could provide indicators towards the analysis of long term growth. The core concentration of this study does not focus on the traditional political economist. However, the primary purpose for including them in this section is to explore the overall frameworks toward explanation of the process of economic growth originated. To this end, there are three main contributors to The Study of Dynamic Theory and they are Adam Smith, David Ricardo and Karl Marx. Adam Smith, the father of Capitalism published *The Wealth of Nations* in 1776. One must consider the timing of Smith's work. It was a time in Britain when both the Agriculture Production and the Industrial Revolution were growing. Thus, Smith's writing was influenced with much optimism. Smith's main saw the extension of markets as opportunities to increase labor productivity. Smith purports that, with increase productivity comes specialization of labor. Conversely, specialization of labor results in: (1) workers becoming more efficient in the performance of particular task; (2) job specialization reduces

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25. Ibid.

time spent switching tasks; and (3) job specialization increases the scope for designing improved tools and machines to raise labor productivity.

The core of Adam Smith's perspective on development was that manufacturing and trade is an essential element towards development- more so than agriculture. Smith supports his argument by pointing toward all modern states of Europe. He contended that the natural precedence of agricultural development gave way to the manufacturing. That is, manufacturing and foreign commerce led to improved agricultural systems, improvement in law and order, and transportation. To achieve these improvements in development, Smith suggests that governments remove all barriers of trade - including taxes, tariffs and quotas. Governments should also get rid of monopolies and any restriction on international trade. A strong legislative system and trade routes should be a paramount for governments. Interestingly other classical theorist supports Smith's view on the challenges that agriculture imposes.

For example in an *Essay on the Principle of Population* written in 1798, Malthus pointed to what he feared would be a welfare economy and not economic growth. His analysis was based on a series of "logical facts" and assertions. Ergo, economic growth creates an increased demand for labor, and thus rising wages. Higher wages lead to an increase in population, and thus labor supply. If the paths to assumption are met, then it stands to reason that with higher wages, comes higher living standard and so people decide to have more children. Conversely, more children would mean a lower child mortality rate and hence a greater population. These two assumptions are typically shared by most classical theorist. Specific to Malthus thesis is the view that a large increase in living standard could only be temporary. That is so because the population growth would outgrow the capacity of



agricultural sector. In what is a direct opposite from most classical theorist, Malthus purported that increase in wages and living standards will eventually lead to food shortages and misery. It must be pointed out that Malthus theory has been criticized for not providing a profound rationale concerning the population rates increase. On the contrary, developed nations tend to have lower birthrates. For which there are several reasons, paramount among which includes the wide availability of contraceptives and the inclusion of women in the labor force.

The second classical theorist is Ricardo, whose view on economic growth stems from Malthus line. That is, an increase in economic growth leads to an increase in demand for labor hence a rise in wages and population increase. Still, Ricardo's contribution to this assertion was based on the Corn Laws<sup>26</sup> in Britain. He contended that marginal land cost per unit of output is high. Therefore, money wages in manufacturing must rise to cover workers' subsistence costs. The result is an increase scarcity value of good land and a consequent rise in rent. This leads to a redistribution of income to the land owing class while simultaneous shared profits are reduced. The ultimate effect of this vicious cycle is a steady increase in marginal food production cost, and wage cost in reference to income. The profits of both farming and manufacturing are eventually reduced zero. It is important to note that Ricardo does offer two possible solutions to this failure of economy. First, he contended that introducing technology into agriculture, and second the use of international trade will both reduce the cost of production. Notably, none of the paradigms of Ricardo's view on economic development has been utilized in the study of

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26. Laws that gave increased protection to British agriculture during poor harvest and rising food prices.

CARCIOM development or the global South. There may be several reasons among which include:

1. In the past, and even in some of the Island states today, land availability is not the prevailing issue. In fact, there is much uncultivated land in some areas.
2. The system of land tenure described in the classical economist view is different in CARICOM and much of the third world.
3. In larger areas, like Brazil and India, and more industrial ones like South Korea and Taiwan - agricultural production have not imposed a long-term brake on growth.

A third major perspective on political economy is the classical Marxist perspective.

Karl Marx was an eighteenth century German sociologist whose contribution to the study and the application of political economy has been profound. Marx, suggests that the direction of Western Europe capitalist system would eventually transcend into socialism and then to communism. The latter being an ideal society. The ideal state of a society is one in which there is material abundance that is equally distributed. Hence Ergo, this is the communal ownership of the means of production.<sup>27</sup> This communal concept purports the view that each member in society would work according to their ability for the common good of all. To achieve this utopia,<sup>28</sup> it would require profound social, political, and economical transformation. To obtain this transformation in society there must be some forces of production. This implies that the state must have “functioned via some apparatus” or institution necessary to maintain the status quo. The institutions are part of what Marx refers to

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27. That would include land, labor, capital, and entrepreneurship. Capital in that sense includes machinery and financial resources.

28. Marx’s highest level of society; the ideal society. It is important to note that Marx agreed that no society has achieved that stage.

as the superstructure of society. For example, Politics institutions, Educational institutions, Religious institutions and many other that serves as the pillars of society.

In his 1886 publication, *The Communist Manifesto*, Marx described society as being divided into two groups, one who owns the factors of production, and those who do not. Those who own the material wealth he refers to as the Bourgeoisie where as those without he called the Proletariats. Interestingly, this view point of Marx reiterates this common theme as expressed by Walter Rodney's in *How Europe Underdeveloped Africa*. That is, every stage of society is characterized by dialectic materialism.<sup>29</sup> While Rodney examines exploitation of the global North (Europe) over the global South (Africa), Marx points to the division within a state. However, common with both is the exploitation of one group over the other in each epoch. From feudalism<sup>30</sup> to the capitalism (in the case of Marx) and from slavery to imperialism (in the case of Rodney) has been a constant class struggle, whereby the rich exploits the poor. Marx contends that the capitalist society mercilessly took advantage of the working-class or wage- workers. He recognized that the work carried out by the proletariat created greater wealth for the capitalist. The products created in the factory (the material outcome of the workers' labor) were sold for more than the value of the labor itself. To the same point, Rodney contended the exploitation of Africans by Europeans.

Interestingly, Marx contended that embedded in the capitalist system lays its self-destructive nature wherein the working class will eventually realize their predicament.

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29. This is based on the writing of Karl Marx and Fredrick Engle. The view that society is dialectic (two opposing groups) that are competing for material wealth (materialism). This perspective is predominately associated with former Soviet Union, but is also application to other communist states.

30. The dominant social system in medieval Europe. This period is characterized where by nobility held lands from the Monarchy in exchange for military service, and vassals were in turn tenants of the nobles, while the peasants (serfs) were obliged to live on their lord's land and give him homage, labor, and a share of the produce.

Class consciousness is a stage whereby the working class is cognizant of their subservient position in society. Marx emphasized that the main problem with capitalism is that it takes advantage of the workers. He also stated that in a capitalist society, the wealthy barons equate personal worth with exchange value, leading to “naked, shameless, direct, brutal exploitation.”<sup>31</sup> Marxist economics support that capitalism eventually destroys itself by perpetuating a system of exploitation of the people until they are reduced to wage-worker status. Marx explained the process like this:

While the capitalist mode of production more and more completely transforms the great majority of the population into proletarians, it creates the power which, under penalty of its own destruction, is forced to accomplish this revolution. Eventually the proletariat seizes political power and turns the means of production into state property.<sup>32</sup>

Therefore, the proletariat is seen as a change for the fall of capitalism and the rise of a new socialist society.

The extremely sharp class conflict between the exploiters and the exploited constitutes the basic trait of the capitalist system. The development of capitalism inevitably leads to its downfall. However, the system of exploitations does not disappear of itself. It is destroyed only as the result of the revolutionary struggle and the victory of the proletariat.<sup>33</sup>

This concept illustrates that such drastic change in societal economies give rise to communism. The bourgeoisie (thesis) and the proletariat (antithesis) clash to create socialism (synthesis) that assures the rise of communism and eventually the utopia referenced earlier.

The work of classical theories on economic development, although not a critical aspect of this research, one considers that a cursory revisit of these perspectives is useful. One

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31. Karl Marx and Frederick Engels, *Collected Works*, 40 vols. (New York: International Publishers, 1976), 6, 487.

32. Ibid.

33. Ibid.

invokes the term useful since later in this research, one attempts to identify the application of these perspective influence in the political economy of CARICOM development.

The underlying theme or the premium mobile of the aforementioned classical theorist involves the capitalist mode of production to earn profit. Those who study the later, ergo, the Marxist perspective including Economist, Political Scientist and Sociologist, sees its applicability to both underdeveloped economies as well as industries economies. The last paradigm or premium mobile apparatus that has contributed to the classical school that draws interest to this research is Schumpeter's on growth, development and entrepreneurship.

Austrian-born American economist and political scientist, Joseph Alois Schumpeter in 1911 published his first edition of his analysis of economic development. Importantly, Schumpeter made a sharp difference between economic growth and development. According to Schumpeter, economic growth is a gradual process of rise in Gross Domestic Products or GDP. Typically, this involves producing identical products, by imploring the same methods in production. On the other hand, economic development is a more dramatic disruptive process. Economic development involves five criteria: (1) New combinations of productive means such that the current products are transformed, Introduction of new products, (3) New sources of supply, (4) New markets are opened, and (5) Reorganization of new industries. The main theses of Schumpeter's model contain these three features:

1. The mobilization of existing factors of production and their combination in new ways.

2. Extension of credit, which is generally essential in order to provide the necessary command over these factors in the market
3. The existence of an economic entrepreneur. Entrepreneurship is the sine qua non to serve as the catalyst to initiate the process and see its matriculation right to completion.

The main theme of Schumpeter thesis is that economic development is not the addition of new capital, but rather the moving of existing factors for innovative uses.<sup>34</sup> One recognizes two relevant features of Schumpeter perspective on economic development are applicable to CARICOM and the Third World by extension. Firstly, and perhaps most appropriately related to CARICOM and the IMF, is the view that credit expansion is important in providing the required command to pursue economic development. It would follow that the CARICOM need for credit and the IMF ability to provide that credit is an essential feature necessary for growth, at least on the premises of Schumpeter's model. Secondly, the importance of entrepreneurship has a potential relevance to the Third World, a point which has been noted by several development economists including Walt Rostow.

### **Summary**

The significance of revisiting the classical theorists is that they serve as background that recapitulates the emergence and dynamic theories of the 1940s and 1950s. Another, reason stems from the view that these perspectives may serve as potential source of insight into the economic development of CARICOM. Some of the main theme that derives from classical economic perspectives includes:

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34. Hunt, *Economic Theories of Development*, 24.

1. It stresses the importance of expanding markets which in turn stimulates production growth and labor. Interestingly, one sees the connection between this point and Norman Girvan piece entitled *Reinterpreting Caribbean Development*; he laid out clear insight in the changing political economy environment. Although Girvan is not a classical economist, he too saw the need for CARCIOM countries to expand outside of the Caribbean Archipelago and into the Latin Americans.
2. Classical theorist stresses that financial profits is the source for new investment.
3. The potential of an agricultural sector dominated by reinter land owners to impose a brake on overall economic production. This point is asserted by Ricardo.
4. Classical theorists in likes of Adam Smith advocate the need for free trade as a means of expanding the market, and allowing for the capitalization of comparative advantage.<sup>35</sup> The later point is emphasized in both Smith's and Ricardo's contributions.
5. Technological changes giving rise to labor productivity and turn helps to meet the food and raw material demands of growing populations.

Marxian dynamic theory provides an alternative to the aforementioned classical theorist. Some of the summarizing points of Marxism include:

1. Capitalism is based on the antagonistic relationship of two classes - Bourgeoisie and Proletariats. Bourgeoisie owns the means of production and uses "power" derived from this ownership to exploitation of the working class.
2. Capitalists are constantly searching for ways to innovate, that will enable them to raise the rate of profits and/or undercut their competitors. This is actually seen as a positive aspect of capitalism. To the capitalist own admission self-interest is good.
3. As this system perpetuates, it leads to the destruction backwards pre-capitalist societies (artisans, peasants) and other less efficient capitalist.
4. As capitalism expands, technological advancement also advances along with the increases plant size and specialization of labor. Eventually, the worker becomes isolated from the capitalist and labor process.

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35. The ability of a particular group, in this sense a state to produce a particular good or service more efficiently than another group or state.

5. Capitalist competition is anarchic in nature; it leads to periodic crises caused by an underlying tendency to a decline in the rate of profit and recurrent phases of overproduction and under consumption. Consequently as labor is laid off, wages fall.
6. As this “complacent, free willed, uncoordinated” development of productive forces reaches its limits the working class transitions to new egalitarian modes of production. In conclusion, this section presented information on the prevailing economic paradigms. The concept of paradigm was addressed and analyzed. The chapter portrayed a section on the origin of economic development. Importantly, the chapter presented a deep overview of the Structural paradigm, the Expanding Capitalist Nucleus, the Neo-Marxist paradigm and the Maoist paradigms. Finally, the chapter presented a discussion of development and the classical theories of development. The following chapter is a presentation of the theoretical framework.



## CHAPTER III

### THEORETICAL FRAMEWORK

#### **Dependency and Underdevelopment Theories**

The theoretical framework employed in this study is dependency theory. There are several proponents to this school of thought including Frank Andre, Walter Rodney and Cardoso. This section presents an explanation on some of the key facets of Dependency Theory. This section examines the writings of the aforementioned dependent theorist; and how it applies to the context to this study.

Dependency theory holds that “the condition of underdevelopment is precisely the result of the incorporation of the Third World economies into the capitalist world system which is dominated by the West and North America.”<sup>1</sup> Hence in development studies, dependency implies a situation in which a particular country or region relies on another for support, “survival” and growth.<sup>2</sup> It is the notion that resources flow from a “periphery” of poor and underdeveloped states to a “core” of global North, enriching the latter at the expense of the former. It is a central contention of dependency theory that poor states are impoverished and rich ones enriched by the way poor states are integrated into the “world

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1. Vicky Randall and Robin Theobald, *Political Change and Underdevelopment: A Critical Introduction to the Third World Politics* (Durham, NC: Duke University Press, 1998), 120.

2. Emeh Ikechukwu Eke Jeffry, “Dependency Theory and Africa’s Underdevelopment: A Paradigm Shift from Pseudo-Intellectualism: the Nigerian Perspective,” *International Journal of African and Asian Studies* 1 (2013): 119.

system.”<sup>3</sup> The theory arose as a reaction to modernization theory, an earlier theory of development which held that all societies progress through similar stages of development, that today’s underdeveloped areas are thus in a similar situation to that of today’s developed areas at some time in the past, and that, therefore, the task of helping the underdeveloped areas out of poverty is to accelerate them along this supposed common path of development, by various means such as investment, technology transfers, and closer integration into the world market. Dependency theory rejected this view. Rather it contends that underdeveloped countries are not merely primitive versions of developed countries, but has unique features and structures of their own; and, importantly, is in the situation of being the weaker members in a world market economy.<sup>4</sup>

Dependency theory originates with two papers published in 1949, one by Hans Singer and the other by Raúl Prebisch,<sup>5</sup> in which the authors observed that the terms of trade for underdeveloped countries relative to the developed countries had deteriorated over time: the underdeveloped countries were able to purchase fewer and fewer manufactured goods from the developed countries in exchange for a given quantity of their raw materials exports.<sup>6</sup> This idea is known as the Prebisch–Singer thesis.

Prebisch, an Argentine economist at the United Nations Commission for Latin

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3. Ibid.

4. Ibid.

5. Raúl Prebisch (April 17, 1901 – April 29, 1986) was an Argentine economist known for his contributions to structuralist economics such as the Prebisch–Singer hypothesis, which formed the basis of economic dependency theory. He became the executive director of the Economic Commission for Latin America (ECLA or CEPAL) in 1950.

6. “Raúl Prebisch Latin American Keynes,” *The Economist*. March 5, 2009, accessed November 11, 2017, <http://www.economist.com/node/13226316>.

America (UNCLA),<sup>7</sup> went on to conclude that the underdeveloped nations must employ some degree of protectionism in trade if they were to enter a self-sustaining development path. He argued that import-substitution industrialization (ISI), not a trade-and-export orientation, was the best strategy for underdeveloped countries. The theory was developed from a Marxian perspective by Paul A. Baran in 1957 with the publication of his *The Political Economy of Growth*. Some scholars identify two main streams in dependency theory: One is the Latin American Structuralist, typified by the work of Prebisch, and Celso Furtado at the United Nations Economic Commission for Latin America and other is the American Marxist, developed by Paul A. Baran, Paul Sweezy, and Andre Gunder Frank.<sup>8</sup>

Scholars like Demas, Lewis, Lashley and Ramsaran (among others) have addressed directly the nature of, and have purported rationale for the underdevelopment of the Caribbean region. The authors above have each targeted this phenomenon from their unique viewpoint - much of which will be examined further in later chapters of this research. Conversely however, one points to a core of scholarship that addresses underdevelopment from a more global perspective. Scholars like Kari Levitt (*Reclaiming Development: Independent Thought and Caribbean Community*), George L. Beckford (*Underdevelopment in Plantation Economies of the Third World*), Claude Ake (*Democracy and Development in the Africa*), and Walter Rodney (*How Europe Underdeveloped Africa*)

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7. The United Nations Economic Commission for Latin America and the Caribbean, known as ECLAC, is a United Nations regional commission to encourage economic cooperation. ECLAC includes 45 member States (20 in Latin America, 13 in the Caribbean and 12 from outside the region), and 13 associate members which are various non-independent territories, associated island countries and a commonwealth in the Caribbean.

8. Emeh Ikechukwu Eke Jeffry, *Dependency Theory and Africa's Underdevelopment*, 119

have all taken a dichotomies (global South verses global North) approach to the problem of underdevelopment.

Kari Levitt put forward a compelling argument that the problem of Caribbean underdevelopment, is in most part, a result of the global North's mercantilism. "There is nothing new about the global reach of capitalism, starting from Atlantic Europe 500 years ago," she stated.<sup>9</sup> What is new is purposive attempt by the global North to reconstruct a global system that is designed to function as self-regulating markets, based on the model of the "golden age" of the late nineteenth century.<sup>10</sup> This system is carefully designed in programs of privatization of state asserts of indebted Third World and defeated former socialist countries. The transfer of social property to private ownership under immense pressure of fiscal debt service is a form of according to Levitt, "primitive accumulation of capital." For example, the role of the IMF and the WB is not concerned about ideology of social reform, but rather the emphasis is on "policy reform." Policy reforms that focuses on "efficiency." Again, this notion of efficiency ensures that debtor country will be able to make payments on the herculean debt incurred.

How then does this transfer of wealth operate in today's context? Interestingly, the "global" south is lured to compete in the global markets where "winners" may succeed if they comply with the "market-friendly" policies of the World Bank (WB) and International Monetary Fund (IMF). Developing countries however are guaranteed to be a "loser" if they cannot or fail to comply with the rules. What this has led to is the increasing inequalities

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9. Kari Levitt, *Reclaiming Development Independent Thought and Caribbean Community* (Kingston Jamaica: Ian Randle Publishers, 2005), 6.

10. Ibid.

of wealth between the global North and the global South as the number of “loser” are kept out of production and consumption in a fiercely competitive global economy. This new global economy is dominated by 40,000 transnational corporations, with 250,000 foreign affiliates. On their own, this accounts for two-thirds of world trade good and services. This leaves a mere one-third of trade to “free-market -free trade.”<sup>11</sup> For this reason, Levitt calls this emerging international economy of transnational corporations, a “new mercantilism.” As in the old mercantilism, today finance and trade are global. Capital is mobile.<sup>12</sup> It can enter and exit at the call of the donor. This view point has been articulated by Dr. Eric Williams when he stated that metropolitan powers make and enforce the “rules of the game.”

Even as they did in early times with economic blocs and sphere of influence, the global North continues to use force as seen in the Gulf War and the economic blockade of Cuba.

Claude Ake published a compelling book called *Democracy and Development in Africa* in which he presented a revolutionary perspective on the underdevelopment of the global South. Ake used African states as the unit of his analysis. Ake argued, “the problem is not so much that development has failed, as that it was it never really on the agenda in the first place.”<sup>13</sup> While this study considers an array of development paradigms, Ake offered a stunning view that the concept of development, is in itself a paradigm.

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11. Levitt, *Reclaiming Development Independent Thought and Caribbean Community*, 6.

12. Ibid., 7.

13. Claude Ake, *Democracy and Development in Africa* (Washington, DC: The Brookings Institution, 1996), 1.

To understand this phenomenon through the lenses of Ake, one must consider the era of colonialism and its political legacy. This political legacy was characterized by two main features of state power: absolutism and arbitrariness.<sup>14</sup> This was evident in the examples of Ghana, whom the British instructed into cocoa production, in 1865. Other examples of arbitraries included the reservation of the White Highlands for European farmers in Kenya and the Marketing of Native Produce Ordinance of 1935.<sup>15</sup> Consequently, Kenyans were impeded from selling wholesale to Europe. Consequently, colonial politics became a machine for one thing - power. For everyone security (including food security) meant the accumulating of power by any and all means necessary. The character of the state remained much the same after political independence. This was evident in the apparatus of violence and compliance on coercion instead of authority. Interesting this vicious cycle was intentionally orchestrated by the former colonizers as they hand “power” over to their selected Africans. This new African successor was trusted to share the values and the interest of their former masters.

The social, ethnic, communal and plurality of interest groups post-colonial era created African states with a centrifugal nature that ultimately were doomed to fail. At the exit of the colonizers class conflict became more salient with the indigenization of political elite. Other groups like the Nationalist movements became a coalition of disparate groups with focus energies of grievance against colonizers. The new political leaders started to manipulate office power along ethnical and communal lines. In other words, there was not a broad social base for African unity and development but rather conflicting interest

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14. Ibid., 3.

15. Ibid.

groups. The result was that some countries, Nigeria for example, created such complex constitutions as an attempt to meet the needs of the plurality of interest - it was systematic inevitable for failure.<sup>16</sup>

Ake purported this notion of “a confusion of agendas.” Political intensity and eventual socioeconomic deterioration was reinforced by the tendency to use state power for personal wealth accumulation. The former colonial masters are not oblivious to this. However, they persist and partner with this agenda because it provides a mechanism for them to profit—either through the provision of high interest loans or changing the rules of world trade that would benefit the global North, while keeping the global South indigent. This is evident for example in the recent ruling of the World Trade Organization (WTO) to discontinue the preferential treatment that African Pacific and Caribbean (APC) enjoyed from Britain since their independence. The resulting effect of this ruling resulted in the decline of exports and eventual eradication of agricultural sectors in Several the APC countries.

The global North facilitates this corrupt, selfish, and personal agenda practiced by the new leaders of the under developed world because ultimately, although not directly, but indirectly the global North is able to maintain control of the global South. Growing up as a young man in the Caribbean, I have heard the saying “to be in debt to someone is like being owned by that person.” This analogy is consistent with the relationship the IMF has with the global South, specifically, Caribbean highly indebted countries. To this point, doctor of Philosophy in economics Michael Witter, in the documentary “Life and Debt” stated: “Jamaica has repaid more money (\$19.8bn) than it has been lent (\$18.5bn); yet the government still ‘owes’ \$7.8bn. This resulted, in part, due to the exorbitant interest

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16. Ibid., 5.

payments. Government foreign debt payments (\$1.2bn) are double the amount spent on education and health combined (\$600m).”<sup>17</sup> Witter explained that Jamaica is among several Caribbean countries that are heavily indebted as a result of IMF Structural Adjustment Programs (SAP), a process which perpetuates the vicious cycle of underdevelopment.

Pursuant to Ake, none of the newly political leaders had any disposition towards social transformation.<sup>18</sup> Coercion was used to control the political expression of the masses. Coercion was also used to impose “unity” in the midst of the conflicting interest groups. Increasingly the political elite found itself relying on violence and war as they became at odds with society and the other factions.<sup>19</sup> Political competition in several states adopted the character of warfare. This gave way to the rise of military role in governance and further deletion of socioeconomic status.

The new African leaders understood that they must divert the peoples’ attention from the redistribution of wealth and the structural transformation of the colonial economy. Ergo, the new leaders had to replace the nationalist ideology of self-governance with something else that would cultivate a common purpose among the masses. Consequently, they came up with the ideology of development.<sup>20</sup> Emphasis added. Interestingly, the nationalist leaders in likes of Leopold Senghor of Senegal, Nnamdi Azikiwe of Nigeria,

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17. Michael Witter, *Life and Debt*, Documentary, Produced by Stephanie Black, Written by Jamaica Kincaid, New Yorker Video, 2001.

18. Ake, *Democracy and Development in Africa*, 4.

19. *Ibid.*, 6.

20. *Ibid.*, 8.



Julius Nyerere of Tanzania, Amilcar Cabral of Guinea-Bissau, and Jomo Kenyatta of Kenya all voiced the need for Africa to become more competitive as a modern state.<sup>21</sup> This would include overcoming the ills of colonialism and the constructing of more advanced technological, political, military and economic systems. Simultaneously, the former colonial masters were strong advocates for the idea of development for Africa. The colonizer orchestrated the notion of “partnership in development” as a means to maintain presence and control.

The ideology of development became its own sort of paradigm. The idea advocated “obedience and conformity” of African leaders. The African leaders emphasized the need to eradicate oppositional attitudes but rather focus on having a common purpose. This type of ideology made it easy to criminalize political opposition and thus established a form of single party system. Here in lies seeds of dictatorship governments. The development paradigm was problematic. There lay a conflict between what it manifested and its latent function.<sup>22</sup> The conflict was visible with the African leaders who professed need for development and administered this new ideology without translating it into socioeconomic means. Eventually, what resulted was that the West became the supplier, the instigator of this new development paradigm. This development paradigm entailed broader western model of societal transformation such as modernization theory.<sup>23</sup>

American economist Walt Whitman Rustow in 1960 published a comprehensive account of modernization theory in an essay called “Stages of Economic Growth.” This

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21. Ibid., 6.

22. Ibid., 10.

23. Ibid.

theory assumes that backwardness or underdevelopment was characterized by low economic growth - a phenomenon which initially is universal. However, industrial countries have been able to overcome the backwardness. The theory also assumes that progress is spatially diffused. Ergo, other countries can evolve from this underdevelopment but must go through the different of modernization and capitalize on the experience of the development nations. In consonance with Rustow's view, the spatial distribution of progress is dynamic, and not static.<sup>24</sup> Therefore, modernity by its very nature tends to strain and overflow into adjacent space and transformed it. This means that by virtue of this transitional feature, underdeveloped countries can gain favorable growth by continued interactions with developed countries.

Modernization did not successfully manifested in Africa. The theorist blamed this failure to the realities of cultural difference and the need for African countries to gain a modernization attitude. Later, proponent of the theory argued that perhaps the paradigm of development does not have to be confined to the institutional framework of underdeveloped world. To this point, Claude Ake objected. Ake purported that the paradigm acknowledges the importance of the state, the market, the rule of law, the financial system, employees and employers and so forth. If that is the case, why then would paradigm claim non conformity to the institutional frame work of recipient countries? Ake ventured to argue that it is because of the teleological nature of the

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24. Ake, *Democracy and Development in Africa*, 10.

paradigm. That the focus is lopsided toward the state, that it fails to pay attention of the human realities on the ground.<sup>25</sup>

One can sum the problem of underdevelopment by referencing Walter Rodney's, "How Europe Underdeveloped Africa." In this 1972 publication, Rodney makes a clear distinction between development and underdevelopment. The latter he argues is understood as a means of comparing level of development among different groups, societies and states.<sup>26</sup> Rodney pointed to what he considered structural dependency. This means that most of the global South economies' and societies are excessively integrated with that of the global North. The nature of that relationship has been one of continuous exploitation of the global South.

In each era starting from slavery, colonialism, and "independence" Rodney purported that the "imperialist" (global North) has selfishly used the resources of the "oppressed" to advance the interest of the "imperialist." Rodney provided a detailed account of Africa's Contributions to European Capitalist Development, during the "Pre-Colonial Period." He noted the extraction of gold, diamonds, metal, agricultural produce and human resources (slaves) from the African continent. Moreover the wealth extracted from the "oppressed" was used to develop the oppressor. The prosperity of the slave trade and the development of trading and banking system all were benefactors this exploitation. Rodney purports the reverse side of this underdevelopment. Pursuant to this view, Europe not only extracted from Africa, but failed to reinvest back in Africa. He noted the failed social services, lack of

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25. Ibid., 1.

26. Walter Rodney, *How Europe Underdeveloped Africa* (Washington, DC: Howard University Press, 1982), 13.

infrastructure, lack of human capital training, the failure to transfer knowledge and technology, all of which orchestrated Africa's underdevelopment. The African experience is although distinct in several respect to CARICOM realities, it however does provide some parallel to the CARICOM countries experience. Essentially, the structural relationship between the global North and the global South has consistently been one of exploitation one over the other.

In sum, one can conclude that the problem with the IMF and the WB is multifaceted. Yet, this study does not complacently points fingers at International Financial Institution, at the cost of not properly understanding this phenomenon. Perhaps, part of the problem lies with CARICOM countries. CARICOM countries must recognize the realities of globalization and the changing nature of IFI toward the global South. Vaughan Lewis's text, *The Caribbean Community in a Changing Hemisphere* speaks to the challenges faced by CARICOM countries as a result of Globalization. The study exposes the ineffectiveness of unilateral trade agreements and the need for CARICOM to unify bargaining its agreements. Currently, CARICOM's relationship with IMF and WB is not at a bi-lateral level. Jonathan Lashley identified the problem with IFI on several fronts. He points to the problem of differing goals between the donor (IFI) and the recipients (CARICOM) to demonstrate how this leads to the failure of these arrangements. The issue of high interest rates, misconception of poverty, and a lack of understanding of CARICOM societal cultural needs have exacerbated the problems between IFI and CARICOM. Claude Ake spoke to the case that underdeveloped countries have never had a development paradigm. He contended that "development" has

become the new paradigm that fosters further exploitation of the underdeveloped world. Michael Witter echoed a similar argument and inadvertently supports Ake's thesis. Dr. Witter demonstrated the spiral decline in the value of Jamaica's currency, the rise of unemployment and the vicious cycles of debt as a direct result of the countries relationship with the IMF. Kari Levitt addressed the problem as a continuation of a relationship of oppression of the global North over the global South. To this point, the IMF and the WB are tools that manifest this oppression. Levitt presented the disparity in the ownership, and operations of the global financial market. That is, IFIs owns more than three-quarters of the market share, set the rules, change the rules to suit them, and have clearly profited or "won" while countries like CARICOM have "lost." Is this a problem? Perhaps the answer lies in terms of the subject being affected. Therefore, the problem is not that of the IMF or WB, but one that permeates the global South.

Kari Levitt put forward a compelling argument that the problem of Caribbean underdevelopment, is in most part, a result of the global North's mercantilism. "There is nothing new about the global reach of capitalism, starting from Atlantic Europe 500 years ago," she stated.<sup>27</sup> What is new is purposive attempt by the global North to reconstruct a global system that is designed to function as self-regulating markets, based on the model of the "golden age" of the late nineteenth century.<sup>28</sup> This system is carefully designed in programs of privatization of state asserts of indebted Third World and defeated former socialist countries. The transfer of social property to private ownership under immense

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27. Kari Levitt, *Reclaiming Development Independent Thought and Caribbean Community* (Kingston, Jamaica: Ian Randle Publishers, 2005), 6.

28. Ibid., 6.

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As in the old mercantilism, today finance and trade are global. Capital is mobile.<sup>30</sup> It can enter and exit at the call of the donor. This view point has been articulated by Dr. Eric Williams when he stated that metropolitan powers make and enforce the “rules of the game.” Even as they did in early times with economic blocs and sphere of influence, the

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29. Ibid.

30. Ibid., 7.

global North continues to use force as seen in the Gulf War and the economic blockade of Cuba.

Claude Ake published a compelling book called *Democracy and Development in Africa* in which he presented a revolutionary perspective on the underdevelopment of the global South. Ake used African states as the unit of his analysis. Ake argues “the problem is not so much that development has failed, as that it was it never really on the agenda in the first place.”<sup>31</sup> Much emphasis was placed here. While this study considers an array of development paradigms, Ake offered a stunning view that the concept of development is, in itself, a paradigm.

To understand this phenomenon through the lenses of Ake, one must consider the era of colonialism and its political legacy. This political legacy was characterized by two main features of state power: absolutism and arbitrariness.<sup>32</sup> This was evident in the examples of Ghana, whom the British instructed into cocoa production, in 1865. Other examples of arbitraries included the reservation of the White Highlands for European farmers in Kenya and the Marketing of Naive Produce Ordinance of 1935.<sup>33</sup> Consequently, Kenyans were impeded from selling wholesale to Europe. Consequently, colonial politics became a machine for one thing - power. For everyone security (including food security) meant the accumulating of power by any and all means necessary. The character of the state remained much the same after political independence. This was evident in the apparatus of violence and compliance on coercion instead of authority. Interesting this vicious cycle

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31. Ake, *Democracy and Development in Africa*, 1.

32. Ibid., 3.

33. Ibid.

was intentionally orchestrated by the former colonizers as they hand “power” over to their selected Africans. This new African successor was trusted to share the values and the interest of their former masters.

The social, ethnic, communal and plurality of interest groups post-colonial era created African states with a centrifugal nature that ultimately were doomed to fail. At the exit of the colonizers class conflict became more salient with the indigenization of political elite. Other groups like the Nationalist movements became a coalition of disparate groups with focus energies of grievance against colonizers. The new political leaders started to manipulate office power along ethnical and communal lines. In other words, there was not a broad social base for African unity and development but rather conflicting interest groups. The result was that some countries, Nigeria for example, created such complex constitutions as an attempt to meet the needs of the plurality of interest - it was systematic inevitable for failure.<sup>34</sup>

Ake purported this notion of “a confusion of agendas.” Political intensity and eventual socioeconomic deterioration was reinforced by the tendency to use state power for personal wealth accumulation. The former colonial masters are not oblivious to this. However, they persist and partner with this agenda because it provides a mechanism for them to profit—either through the provision of high interest loans or changing the rules of world trade that would benefit the global North, while keeping the global South indigent. This is evident for example in the recent ruling of the World Trade Organization (WTO) to discontinue the preferential treatment that African Pacific and Caribbean (APC) enjoyed from Britain since

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34. Ibid., 5.



their independence. The resulting effect of this ruling resulted in the decline of exports and eventual eradication of agricultural sectors in Several the APC countries.

The global North facilitates this corrupt, selfish, and personal agenda practiced by the new leaders of the under developed world because ultimately, although not directly, but indirectly the global North is able to maintain control of the global South. Growing up as a young man in the Caribbean, I've heard the saying "to be in debt to someone is like being owned by that person." This analogy is consistent with the relationship the IMF has with the global South, specifically, Caribbean highly indebted countries. To this point, doctor of Philosophy in economics Michael Witter, in the documentary "Life and Debt" stated: "Jamaica has repaid more money (\$19.8bn) than it has been lent (\$18.5bn); yet the government still "owes" \$7.8bn. This resulted, in part, due to the exorbitant interest payments. Government foreign debt payments (\$1.2bn) are double the amount spent on education and health combined (\$600m).<sup>35</sup> Witter explained that Jamaica is among several Caribbean countries that are heavily indebted as a result of IMF Structural Adjustment Programs (SAP), a process which perpetuates the vicious cycle of underdevelopment.

Pursuant to Ake, none of the newly political leaders had any disposition towards social transformation.<sup>36</sup> Coercion was used to control the political expression of the masses. Coercion was also used to impose "unity" in the midst of the conflicting interest groups. Increasingly, the political elite found themselves relying on violence and war as they

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35. Michael Witter, *Life and Debt*, Documentary, Produced by Stephanie Black, Written by Jamaica Kincaid, New Yorker Video, 2001.

36. Ake, *Democracy and Development in Africa*, 4.

became at odds with society and the other factions.<sup>37</sup> Political competition in several states adopted the character of warfare. This gave way to the rise of military role in governance and further deletion of socioeconomic status.

The new African leaders understood that they must divert the peoples' attention from the redistribution of wealth and the structural transformation of the colonial economy. Ergo, the new leaders had to replace the nationalist ideology of self-governance with something else that would cultivate a common purpose among the masses. Consequently, they came up with the ideology of development.<sup>38</sup> Emphasis added. Interestingly, the nationalist leaders in likes of Leopold Senghor of Senegal, Nnamdi Azikiwe of Nigeria, Julius Nyerere of Tanzania, Amilcar Cabral of Guinea-Bissau, and Jomo Kenyatta of Kenya all voiced the need for Africa to become more competitive as a modern state.<sup>39</sup> This would include overcoming the ills of colonialism and the constructing of more advanced technological, political, military and economic systems. Simultaneously, the former colonial masters were strong advocates for the idea of development for Africa. The colonizer orchestrated the notion of "partnership in development" as a means to maintain presence and control.

The ideology of development became its own sort of paradigm. The idea advocated "obedience and conformity" of African leaders. The African leaders emphasized the need to eradicate oppositional attitudes but rather focus on having a common purpose. This type of ideology made it easy to criminalize political opposition and thus established a form of single party system. Here in lies seeds of dictatorship governments. The development

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37. Ibid., 6.

38. Ibid., 8.

39. Ibid., 6.

paradigm was problematic. There lay a conflict between what it manifested and its latent function.<sup>40</sup> The conflict was visible with the African leaders who professed need for development and administered this new ideology without translating it into socioeconomic means. Eventually, what resulted was that the West became the supplier, the instigator of this new development paradigm. This development paradigm entailed broader western model of societal transformation such as modernization theory.<sup>41</sup>

American economist Walt Whitman Rustow in 1960 published a comprehensive account of modernization theory in an essay called “Stages of Economic Growth.” This theory assumes that backwardness or underdevelopment was characterized by low economic growth - a phenomenon which initially is universal. However, industrial countries have been able to overcome the backwardness. The theory also assumes that progress is spatially diffused. Ergo, other countries can evolve from this underdevelopment but must go through the different of modernization and capitalize on the experience of the development nations. In consonance with Rustow’s view, the spatial distribution of progress is dynamic, and not static.<sup>42</sup> Therefore, modernity by its very nature tends to strain and overflow into adjacent space and transformed it. This means that by virtue of this transitional feature, underdeveloped countries can gain favorable growth by continued interactions with developed countries.

Modernization did not successfully manifested in Africa. The theorist blamed this failure to the realities of cultural difference and the need for African countries to gain a modernization attitude. Later, proponent of the theory argued that perhaps the paradigm of

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40. Ibid., 10.

41. Ibid.

42. Ake, *Democracy and Development in Africa*, 10.

development does not have to be confined to the institutional framework of underdeveloped world. To this point, Claude Ake objected. Ake purported that the paradigm acknowledges the importance of the state, the market, the rule of law, the financial system, employees and employers and so forth. If that is the case, why then would paradigm claim non conformity to the institutional frame work of recipient countries? Ake ventured to argue that it is because of the teleological nature of the paradigm. That the focus is lopsided toward the state, that is fails to pay attention of the human realities on the ground.<sup>43</sup>

One can sum the problem of underdevelopment by referencing Walter Rodney's, "How Europe Underdeveloped Africa." In this 1972 publication, Rodney makes a clear distinction between development and underdevelopment. The later he argues is understood as a means of comparing level of development among different groups, societies and states.<sup>44</sup>

Rodney pointed to what he considered structural dependency. This means that most of the global South economies' and societies are excessively integrated with that of the global North. The nature of that relationship has been one of continuous exploitation of the global South. In each ear starting from slavery, colonialism, and "independence" Rodney purported that the "imperialist" (global North) has selfishly used the resources of the "oppressed" to advance the interest of the "imperialist." Rodney provided a detailed account of Africa's Contributions to European Capitalist Development, during the "Pre-Colonial Period." He noted the extraction of gold, diamonds, metal, agricultural produce and human resources (slaves) from the African continent. Moreover the wealth extracted

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43. Ibid., 1.

44. Walter Rodney, *How Europe Underdeveloped Africa* (Washington, DC: Howard University Press, 1982), 13.

from the “oppressed” was used to develop the oppressor. The prosperity of the slave trade and the development of trading and banking system all were benefactors this exploitation. Rodney purports the reverse side of this underdevelopment. Pursuant to this view, Europe not only extracted from Africa, but failed to reinvest back in Africa. He noted the failed social services, lack of infrastructure, lack of human capital training, the failure to transfer knowledge and technology, all of which orchestrated Africa’s underdevelopment. The African experience is although distinct in several respect to CARICOM realities, it however does provide some parallel to the CARICOM countries experience. Essentially, the structural relationship between the global North and the global South has consistently been one of exploitation one over the other. In sum, one can conclude that the problem with the IMF and the WB is multifaceted.

Yet, this study does not complacently points fingers at International Financial Institution, at the cost of not properly understanding this phenomenon. Perhaps, part of the problem lies with CARICOM countries. CARICOM countries must recognize the realities of globalization and the changing nature of IFI toward the global South. Vaughan Lewis’s text, *The Caribbean Community in a Changing Hemisphere* spoke to the challenges faced by CARICOM countries as a result of Globalization. The study exposes the ineffectiveness of unilateral trade agreements and the need for CARICOM to unify bargaining its agreements. Currently, CARICOM’s relationship with IMF and WB is not at a bi-lateral level. Jonathan G. Lashley has identified the problem with IFI on several fronts. He points to the problem of differing goals between the donor (IFI) and the recipients (CARICOM) to demonstrate how this leads to the failure of these arrangements. The

issue of high interest rates, misconception of poverty, and a lack of understanding of CARICOM societal cultural needs have exacerbated the problems between IFI and CARICOM. Claude Ake spoke to the case that underdeveloped countries have never had a development paradigm. He contended that “development” has become the new paradigm that fosters further exploitation of the underdeveloped world. Michael Witter echoed a similar argument and inadvertently supports Ake’s thesis. Dr. Witter demonstrated the spiral decline in the value of Jamaica’s currency, the rise of unemployment and the vicious cycles of debt as a direct result of the countries relationship with the IMF. Kari Levitt addressed the problem as a continuation of a relationship of oppression of the global North over the global South. To this point, the IMF and the WB are tools that manifest this oppression. Levitt presented the disparity in the ownership, and operations of the global financial market. That is, IFIs owns more than three-quarters of the market share, set the rules, change the rules to suit them, and have clearly profited or “won” while countries like CARICOM have “lost.” Is this a problem? Perhaps the answer lies in terms of the subject being affected. Therefore, the problem is not that of the IMF or WB, but one that permeates the global South.

Using the Latin American dependency model, the Guyanese Marxist historian Walter Rodney, in his book *How Europe Underdeveloped Africa*, described in 1972 an Africa that had been consciously exploited by European imperialists, leading directly to the modern underdevelopment of most of the continent. One explains further on this thesis later in this research. The Latin American Structuralist and the American Marxist schools had significant differences but agreed on some basic points: Both groups agreed that at

the core of the dependency relation between center and periphery is the inability of the periphery to develop an autonomous and dynamic process of technological innovation. Technology – the Promethean force unleashed by the Industrial Revolution – is at the center of stage. The Center countries controlled the technology and the systems for generating technology. Foreign capital could not solve the problem, since it only led to limited transmission of technology, but not the process of innovation itself. Baran and others frequently spoke of the international division of labor – skilled workers in the center; unskilled in the periphery – when discussing key features of dependency.

Finally, the knowledge and ideas from the dependency and underdevelopment theorists informs this study in the following manner. First, the writer designed interview and survey questions to capture ideas and information from CARICOM leaders and other citizens on the impact of the IMF and World Bank in the development and underdevelopment of the countries of this region, to ascertain whether these countries are dependent on the IMF resources or not. By so doing, the writer was able to determine whether or not these policies have positively/negatively impacted these countries. Secondly, the literature on the economic impact of these institutions was reviewed to determine trends in the development of the region; patterns of dependence were identified and reasons given for the occurrence of such patterns were highlighted.

## CHAPTER IV

### METHODOLOGY

This chapter describes the research methodology procedures that were utilized to examine a parliamentarian's perception of the impact of the International Monetary Fund on CARICOM countries. First, a review of the research questions is presented. Next, the chapter contains a detailed discussion of the research design of the study, outlining the major differences between a quantitative design and a qualitative design, as well as the appropriateness of the chosen design for this study. Following, the sampling method is discussed. The measurements, data collection methods, and data analysis methods are next examined. Lastly, a detailed discussion of the researcher is discussed.

The study was guided by three major research questions:

- RQ1. What do the CARICOM leadership and other stakeholders believe  
are the major reasons why they continue to rely on the financial  
assistance and intervention of the IMF?
- RQ2. Under which paradigm of development do these leaders and other stakeholders perceive their relationships with the IMF?
- RQ3. How do younger and older CARICOM citizens perceive the  
future growth of their countries, under the leadership of the IMF?



## Research Design

Both quantitative and qualitative methods were used in this study to analyze the research questions; therefore, this study used a mixed methods design. Research question number one is analyzed using a qualitative design, while the second research question uses descriptive statistics, one of two major types of statistical methods of quantitative research (the other being inferential statistics, which is not used in this study). It is important to note the stark differences between quantitative research and qualitative research. While quantitative designs focus on objectivity and utilize deductive reasoning, qualitative research is essentially interpretive, with a primary obligation to inductive reasoning. Consequently, when using inferential statistics in quantitative research, a research hypothesis is formulated in the beginning stages of the process, such that the scientific method is employed for the purposes of proving or disproving the hypothesis; by stark contrast, qualitative research formulates a hypothesis based on data that has been collected, and therefore, has no preconceived hypothesis to test. Another major distinction between the two designs is the intentions of the research. Generally speaking, while quantitative research seeks to describe, predict, explain, and evaluate, qualitative data seeks to explore. Its exploratory nature requires the use of text or image data, which yields in-depth information and focuses on meanings rather than the numerical data collected during quantitative approaches, which provide statistical information and focuses on quantifiable phenomena.<sup>1</sup> Such data collection methods for qualitative research typically involve open-ended responses through various modes, including interviews, case studies, observations, documents, and other verbally-oriented data.

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1. J. W. Creswell, *Qualitative Inquiry & Research Design: Choosing Among Five Approaches* (Los Angeles: Sage Publishers, 2013), 9 & 43.

Quantitative data collection methods primarily utilize survey research. Another major distinction between the two designs is the researcher's role in the process. Since quantitative research is objective and seeks to maintain an unbiased posture, the researcher's role is assumed to be value-free; contrarily, qualitative research highly values the role of the researcher. Due to its interpretive nature, qualitative research has inherent bias that must be mitigated; however, such interpretations stem from the researcher's relation to the inquiry in question. Lastly, quantitative research seeks to generalize data collected from the sample to the target population. As a result, the sample sizes for this type of research are relatively large. Conversely, qualitative research makes no assumptions for generalizability, and therefore, do not require a large sample size; its requirement of in-depth discovery also precludes the need for a large sample size.<sup>2</sup>

Mixed methods research uses both designs in a single study. From the research purpose to the sample size, data collection methods, and analysis stage, mixed methods research combines qualitative and quantitative techniques. Campbell and Fiske, the originators of mixing various research methods, employed a multi-method matrix with their study of validating psychological traits. This inclined others to mix methods, combining qualitative data, including interviews with numerically- based surveys seen in quantitative data collection.<sup>3</sup> The approach yields important benefits. Mixed methods

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2. Ibid. , 120, 272.

3. Ibid., 123, 229.

research simultaneously extracts the strengths of both designs and decreases their weaknesses within one research study, superseding the quality of a single-design study.<sup>4</sup>

This study's first research question is exploratory in nature and therefore, uses a qualitative design. There are no hypotheses tested, so inductive reasoning is employed, yielding hypotheses after the data has been analyzed. Conclusions drawn from the research questions are interpreted, with an understanding of the researcher's role in the process. The sample size is small at six participants, as there are no assumptions for generalizability to a target population, and therefore, no need for a larger sample size. And only in-depth verbal data is collected – another reason for a small sample size – so the specific method used is a structured interview. The second research question is descriptive and therefore, uses a quantitative design. Because no inferential statistics are gathered, but only descriptive statistics, no hypothesis testing has been conducted. The sample size for this design is 49 participants. This is a large enough ample size, suitable for conducting descriptive statistics, as there are assumptions for generalizability to a target population. Lastly, closed-ended numerical data is collected through the use of a survey.

In conclusion, approaches from both qualitative and quantitative designs are used in this study. The first research question is exploratory, while the second is descriptive. Neither question requires hypothesis testing but for different reasons. In the first question, there would be no need due to inductive reasoning; however, in the second question, which utilizes deductive reasoning, there is no need due to the type of

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4. R. Burke Johnson, and Anthony Onwuegbuzie, Mixed-Methods Research: A Research Paradigm Whose Time Has Come. *Issues in Educational Research* 33, no. 7 (2001): 14-26.

statistics used, that being descriptive. The first research question requires a disclosure of the researcher's role, while the second question does not. Sample size is also notably different based on the two designs, as the first research question requires a small size, while the second question requires a larger size to conduct analysis. Lastly, the data collection processes contrast; the first question uses an open-ended approach in the form of oral data garnered from interviews, while the second question uses a closed-ended approach in the form of numerical data gathered from surveys. With its combined quantitative and qualitative approaches, this study can be appropriately described as mixed methods research.

## **Sampling Method**

### **Sample Selection**

This study utilized a purposive sampling method. This non-probability method was used because the phenomenon explored requires expert knowledge.<sup>5</sup> As such, this study recruited English-speaking, decision-makers and leaders in the Caribbean and members of the Caribbean Diaspora who were thoroughly familiar with the IMF, as it relates to CARICOM. Such individuals include parliamentarians, politicians (incumbent and opposition - current and retired), business owners, attorneys, political acuties, academics, and economists.

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5. N. Cole, *Understanding Purposive Sampling: An Overview of the Methods and Its Applications*, accessed August 26, 2017, <https://www.thoughtco.com/purposive-sampling-3026727>.

### **Sample Size**

This study contains two samples as the two research designs present different requirements. The first research question, which utilizes a qualitative design, has a small sample size at six participants. As aforementioned, this is adequate when not seeking to generalize to a larger target population, as well as when extracting in-depth oral information. In terms of the sample distribution, the sample distribution reflects the population, as out of the six participants, five different CARICOM countries were represented. The second research question, however, utilizes a quantitative design and therefore, requires a larger sample size. In this study, that sample size at minimum is 30, which is adequate to both conduct the data analysis, that being descriptive statistics, and to assume generalizability. The actual number of respondents was 49. Data were collected to on younger and older CARICOM citizens to find out their perception of future growth under the IMF leadership? Younger persons range from fifteen years to thirty-nine years; whereas older persons are from thirty-nine above.

### **Qualitative Measurements**

Qualitative data were collected using a structured interview schedule. The main issues being explored through the interview protocol center on the participants' perception of the IMF policies' impact on CARICOM and the applicability and appropriateness of the IMF policies for meeting the needs of CARICOM countries. The interview schedule is presented in the appendix section of the document. To address the second research question, several numerically-based descriptive data were collected from the participants regarding their perceptions of the prevailing economic paradigms utilized by CARICOM countries.

### **Data Collection Methods**

Prior to recruiting the study participants, the student researcher assumed the role of an observer-participant, and his role as a researcher was revealed.<sup>6</sup> As one prepared for the interview, there were few steps that one followed. In this section, one lays out in detail the steps taken. Admittedly, efforts to contact the government ministers and the head of states of CARICOM countries proved an arduous task. Initially, one traveled to Dominica's main government building with the hope to meet with the head of state or some other government ministers. This effort proved unsuccessful. Next, one searched the internet to find the contact information (e-mail, telephone, and fax) for twelve English speaking CARICOM countries. Once these contacts were obtained, one proceeded to e-mail, fax and call each country's head of state office. The response from the CARICOM governments was very poor. Initially, only three countries responded -Trinidad and Tobago, Grenada and the opposition member of the Dominica. However, of the other countries responded later.

After receiving the Institutional Review Board (IRB) approval to conduct the study, the study participants were contacted. One obtained the contact information of the interviewees by contacting a known Parliamentary Representative (PR) of Roseau Dominica. The PR was contacted through the long distance Whatz app texting and calling program. Then one contacted the interviewee via telephone followed by e-mail. In a full and open disclosure, one informed the interviewee of the scope of project, the purpose for the interview, and other pertinent informed consent information.

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6. Creswell, *Research Design*, 15.

The informed consent discussed the purpose of the study, the methodological approach, and the inclusion criteria. The form discussed the risks and benefits to participating in the study and ways that the risks have been minimized. Additionally, the document provided contact information to all pertinent individuals involved in the study. The informed consent also described the complete voluntariness of the study, explaining that participants were free to withdraw from the study at any time for any reason. Finally, it described the confidential nature of the study and privacy protection measures used to assure confidentiality.

### **Qualitative Data Collection**

In keeping with the qualitative tradition of attempting to capture the subjects' own words and letting the analysis emerge, interview schedules...generally allow for open-ended responses and are flexible enough for the observer to note and collect data on unexpected dimensions of the topic.<sup>7</sup>

Various types of interviews can be conducted, including in unstructured, semi-structured, and structured formats. This study used a structured format, as the interviewer controlled the process of retrieving information using a predetermined interview schedule and followed no new leads as they might have occurred during the interview process.<sup>8</sup> A copy of the research proposal and associated questions were e-mailed to the subjects prior to the face-to-face interviews. The interviews were conducted over the phone. The interviews were transcribed by a methodologist.

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7. Robert Bogdan and Sari Knopp Biklen, *Qualitative Research for Education: An Introduction to Theories and Methods*, 5th ed. (Boston, MA: Pearson, 2007), 79.

8. Gary Partington, Qualitative Research Interviews: Identifying Problems in Technique, *Issues in Educational Research* 11, no. 2 (2001): 32-44.

Following interview transcriptions, the analysis was conducted manually – without the use of an analytic program. This analysis used multi-type nodes, which were organized in a hierarchal structure. Next, two coding methods were used. The methodologist coded comments made about terms related to perceptions of the utility of IMF policies. Primary inquiries were (1) what is being represented, and (2) what meanings are being conveyed. Nodes were predefined, having stemmed from prior knowledge of the literature and therefore, created within the interview questions. Codes were represented by words and numbers. Based on these codes, themes were developed. The analysis results are based on these themes.

Validity is a key component of assuring that research results can be trusted. It assumes that the results are accurate. Various strategies were employed, including member-checking, clarity of researcher bias, and rich and thick description to ensure internal and external validity. First, the strategy of member-checking was used by clarifying the participant's statements, regarding the interpretations of their meanings.<sup>9</sup> Researcher bias was elucidated, as the student researcher described his role as the researcher by sharing an honest, open, and transparent narrative within the text of the dissertation document. Lastly, rich and thick descriptions were used to provide a sufficient detail regarding the statements made; this strategy provides readers with a full contextualization of comments made and offers insight into the extent to which conclusions drawn can be transferable to other settings, people, and situations.

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9. Creswell, *Research Design*, 17.



The interviews were automatically stored onto the methodologist's computer, and following transcription, the audio file was deleted. To protect the participants' confidentiality, the information was secured through multiple mechanisms, including a secured password protected log on as well as an installed active firewall, through Windows Defender; this firewall prevents external intrusion. The transcriptions, human participation forms, informed consent forms, and consents to be recorded have been stored in a locked file cabinet at the Principal Investigator's office. This information will be discarded within three years. All written documents including interview transcripts and personal information were de-identified and coded to protect the participants' anonymity and confidentiality. The final results of the study are available to the participants upon their request.

### **Quantitative Data Collection**

A survey containing various questions pertaining to participants' perceptions of the prevailing economic paradigms utilized by CARICOM countries was distributed through Qualtrics.

### **Quantitative Data Analysis**

The appropriate data analysis plan for research question two is descriptive statistics. These statistics were used because data gathered sought to summarize individual variables in the data set, rather than analyze a statistically significant relationship. Considering that no inferential statistics were used in this study (and consequently, there were no measurements to operationalize dependent and/or independent variables), there was no need to assess psychometric properties, reliability and validity.

### **Role as the Researcher**

Since this study utilized a qualitative design, it was essential to highlight the role of the student researcher. The following discussion addresses the researcher's interest in the topic, his biases, and his relation to the topic. CARICOM was chosen as the unit of analysis for several reasons. Top among which is the reality of the economic debt crisis in CARICOM. Barcena Alicia, in "The Case for Caribbean Debt Relief Being made at International Financing Conference," purported that several members of CARICOM are among the world's top twenty heavily indebted or countries (HIPC).<sup>10</sup> To this end, one aims at understanding the intricacies of his phenomenon. The teleological nature of this study including the data collection and data analysis aims at understanding the issues and hopefully be able to develop theory that is meaningful. Undoubtedly, the theory should be consistent with the realities of CARICOM states and applicable to countries with similar characteristics, that is the other HIPC.

Secondly, the researcher has deep interest in the socio-economic climate of CARICOM; the island of Dominica is the country of birth and citizenship. Whatever happens to the financial sector in this country directly affects the researcher's family and love ones. Admittedly, one has a natural biasness in favor toward economic growth of the region. Perhaps inadvertently, one's natural bias might suggest the need for the IMF to do better. Independent of this sentimental link, by the virtue of actually living in the region, one has a broad understanding of the political atmosphere and socio economic challenges

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10. Alicia Barcena, *The Case for Caribbean Debt Relief Being Made at International Financing Conference*, eds. Dawne Parris (St. Michael, Barbados), accessed August 26, 2016, <http://www.Caribbean360.com/news/case-for-caribbean-debt-relief-being-made-at-international-financing-conference#ixzz4IR0FN130>.

associated in the region. Indeed the political concepts of corruption, clientelism, nepotism, and lack of transparency in governance, little or no accountability of public officials are all common themes that play a thematic role beyond simply what numbers and statistics can show. Indeed, the political atmosphere and social issues do influence the success or failure of IMF Structural Adjustment Programs.<sup>11</sup> The researcher's aim is to develop a theory that adds to the understanding of this problem, with the objective to alarm the decision makers. Beyond simply a noble effort, one considers this research fitting to the field of Political Science. The decision makers on both end of the spectrum therefore the donors (IMF) or the recipients (CARICOM governments) do exert the concept of power. The decision to lend resources by the IMF, the decision to accept and or negotiate the terms and conditions of the IMF by CARICOM states, and the decision to allocate these resources as the governments see fit is in alignment with the political scientist Harold Lasswell's perspective on politics. In his most mundane yet applicable sense, Lasswell notes that politics is the process of deciding "who gets what, when, and how." The relationship between both institutions an International Financial Organization (IMF) and a political organization (CARICOM governments) constitutes such a process.

### **Summary**

This chapter contained a detailed discussion of the design of the study. The study's research questions were reviewed. As well, the research design was elucidated. This chapter also discussed the sampling method, including the sample selection. The study's

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11. Edward S. Greenberg and Benjamin J. Page, *The Struggle for Democracy* 7th ed. (Boston, MA: Pearson, 2002), 75.

procedures including data collection sources, the interview schedule, data analysis plan, and validity methods were discussed. Finally, the role of the researcher was examined.

## CHAPTER V

### CARICOM, THE IMF, AND DEPENDENCY

This study attempts to understand two issues. What is the perception of CARICOM leaders on the issue of the role the International Monetary Fund in CARICOM? The writer's initial observation is that, the perception is one of ambivalence. However, does the literature on the issue suggest a consensus on this position? Could it be that there is still a divided opinion on the effects on the IMF programs on CARICOM development? Secondly, whether or not the impact is positive or negative, the writer sought to understand the paradigm from which do CARICOM leaders make the decisions to use these programs?

#### **The Caribbean Community (CARICOM)**

The Caribbean Community (CARICOM) is an organization of fifteen Caribbean nations and dependencies whose main objective is to promote economic integration and cooperation among its members, to ensure that the benefits of integration are equitably shared, and to coordinate the foreign policy of the region. The organization was established in 1973.<sup>1</sup> Its major activities involve coordinating economic policies and development planning; devising and instituting special projects for the less-developed countries within its jurisdiction; operating as a regional single market for many of its

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1. Kenneth O. Hall and Myrtle Chuck-A-Sang, *CARICOM: Policy Options for International Engagement* (Jamaica: Ian Randle Publishers, 2010), 1-7.

members (CARICOM Single Market); and handling regional trade disputes. The secretariat headquarters is in Georgetown, Guyana. CARICOM is an official United Nations Observer.<sup>2</sup>

Established mainly by the English-speaking parts of the Caribbean, CARICOM has become multilingual in practice with the addition of Dutch-speaking Suriname on the forth July 1995 and French- speaking Haiti on the second of July 2002. Furthermore, it was suggested that Spanish should also become a working language. In July 2012, CARICOM announced that they were considering making French and Dutch official languages. In 2001, the heads of government signed a revised Treaty of Chaguaramas that cleared the way to transform the idea of a common market CARICOM into a Caribbean (CARICOM) Single Market and Economy. Part of the revised treaty establishes and implements the Caribbean Court of Justice. Since 2013, the CARICOM-bloc and the Dominican Republic have been tied to the European Commission via an Economic Partnership Agreements known as CARIFORUM signed in 2008. The treaty grants all members of the European Union and CARIFORUM equal rights in terms of trade and investment. Within the agreement, under Article 234, the European Court of Justice also handles dispute between CARIFORUM and the European Union states.<sup>3</sup>

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2. Ibid.

3. Ibid.

## **Organizational Structure of CARICOM**

### **Structures Comprised by the Overall Caribbean Community – CARICOM<sup>4</sup>**

Under Article 4 of its charter CARICOM divides its 15 member states into two groups: Less Developed Countries (LDCs) and More Developed Countries (MDCs). The countries of CARICOM which are designated as Less Developed Countries (LDCs) are:

- Antigua & Barbuda
- Belize
- Commonwealth of Dominica
- Grenada
- Republic of Haiti
- Montserrat
- Federation of St. Kitts & Nevis
- St. Lucia
- St. Vincent & the Grenadines

The countries of CARICOM which are designated as More Developed Countries (MDCs) are:

- Commonwealth of the Bahamas
- Barbados
- Co-operative Republic of Guyana
- Jamaica

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4. CARICOM Caribbean Community, assessed October 25, 2017, [www.http://governance/about-the-secretariat](http://governance/about-the-secretariat).

- Republic of Suriname
- Republic of Trinidad & Tobago

**Chairmanship:** The post of Chairman (Head of CARICOM)<sup>5</sup> is held in rotation by the regional<sup>4</sup> Heads of State (for the republics) and Heads of Government (for the realms) of CARICOM's 15 member states.

**Heads of Government:** CARICOM has a quasi-Cabinet of the individual Heads of Government. These heads are given specific specialized portfolios of responsibility for overall regional development and integration.

**Secretariat** of the Caribbean Community:<sup>6</sup> The term of office of the Secretary General is five years, which may be renewed. (Chief Administrative Organ)

**Secretary General** of the Caribbean Community: the CARICOM Secretary General (Chief Executive) handles foreign and community relations.

**Deputy Secretary General** of the Caribbean Community: handles human and social Development.

**General Counsel** of the Caribbean Community: handles trade and economic integration.

The goal statement of the CARICOM Secretariat is: To provide dynamic leadership and service, in partnership with community institutions and groups, toward the attainment of a viable, internationally competitive and sustainable community, with improved quality of life for all. Table 3 shows the principal divisions of CARICOM.

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5. CARICOM Caribbean Community, accessed October 25, 2017, <http://caricom.org/about-caricom/who-we-are/our-governance/about-the-secretariat>.

6. Ibid.



**Table 3. Principal divisions of CARICOM**

Division	Description
CARICOM Heads of Government	Consists of the various heads of government From each member state
Standing Committee of Ministers	Ministerial responsibilities for specific areas; for example, the Standing Committee of Ministers of Health from each member state.

Source: CARICOM Caribbean Community, accessed October 25, 2017, <http://caricom.org/about-caricom/who-we-are/our-governance/about-the-secretariat>.

**Community Council:** The Community Council consists of ministers responsible for community affairs and any other minister designated by the member states. It is one of the community's principal organs; the other is the Conference of the Heads of Government which is supported by four other units and three bodies (see Tables 4 and 5).

**Table 4. Secondary Units of CARICOM**

Secondary Units	Abbreviation
Council for Finance and Planning	COFAP
Council for Foreign and Community Relations	COFCOR
Council for Human and Social Development	COHSOD
Council for Trade and Economic Development	COTED

Source: CARICOM Caribbean Community, accessed October 25, 2017, <http://caricom.org/about-caricom/who-we-are/our-governance/about-the-secretariat>

**Table 5. CARICOM committees**

Committee	Description
Legal Affairs Committee	Provides legal advice
Budget Committee	Examines the draft budget and work programme of the Secretariat and submits recommendations to

Table 5 (continued)

Committee	Description
Committee of the Central Bank Governors	Provides recommendations to the COFAP on Monetary and financial matters

Source: CARICOM Caribbean Community, accessed October 25, 2017, <http://caricom.org/about-caricom/who-we-are/our-governance/about-the-secretariat>.

## Institutions

The 23 designated institutions of CARICOM are listed in Table 6.

**Table 6. Institutions of CARICOM**

Institution	Abbreviation
Caribbean Disaster Emergency Management Agency	CDEMA
Caribbean Meteorological Institute	CMI
Caribbean Meteorological Organization	CMO
Caribbean Food Corporation	CFC
Caribbean Environment Health Institute	CEHI
Caribbean Agriculture Research and Development Institute	CARDI
Assembly of Caribbean Community Parliamentarians	ACCP
Caribbean Centre for Development Administration	CARICAD
Caribbean Food and Nutrition Institute	CFNI
CARICOM Implementation Agency for Crime and Security	IMPACS
Caribbean Examinations Council	CXC
CARICOM Single Market and Economy	CSME
Caribbean Court of Justice	CCJ
CARICOM Competition Commission	CCC
Caribbean Regional Fisheries Mechanism	CRFM
Caribbean Regional Organization for Standards and Quality	CROSQ
Caribbean Telecommunications Union	CTU

Table 6 (continued)

Institution	Abbreviation
Caribbean Community Climate Change Centre	CCCCC
Caribbean Organization of Tax Administrators	COTA
Council of Legal Education	CLE
Caribbean Aviation Safety and Securing Oversight System	CASSOS
Caribbean Regional Information and Translation Institute	CRITI

Source: CARICOM Caribbean Community, accessed October 25, 2017, <http://caricom.org/about-caricom/who-we-are/our-governance/about-the-secretariat>.

**The Caribbean Court of Justice (CCJ):** This court acts in its “original jurisdiction,” as a settlement unit for disputes on the functioning of the Caribbean (CARICOM) Single Market and Economy (CSME). Additionally the states of CARICOM voted to supplement original jurisdiction with “appellate jurisdiction” under this jurisdiction the former colonies of the United Kingdom will have effectively replaced the Privy Council in London, United Kingdom with the CCJ.

The CCJ is based in the Port of Spain, Trinidad and Tobago. However, the majority of member states continue to utilize the Privy Council as their final appellate court and three member states do not use the CCJ for either its original jurisdiction or its appellate jurisdiction because they have either not signed the Revised Treaty of Chaguaramas (the Bahamas and Haiti) or are a current British colony (Montserrat).

### **Associate Institutions**

The six designated associate institutions of CARICOM are listed in Table 7.

**Table 7. Associate institutions of CARICOM**

Associate institution	Abbreviation
Caribbean Development Bank	CDB
University of Guyana	UG
University of the West Indies	UWI
Caribbean Law Institute / Caribbean Law Institute Centre	CLI / CLIC
Organization of Eastern Caribbean States	OECS
West Indies Cricket Board	WICB

Source: CARICOM Caribbean Community, accessed October 25, 2017, <http://caricom.org/about-caricom/who-we-are/our-governance/about-the-secretariat>.

### **Review of CARICOM Countries' Experiences with the IMF**

Financial support is provided to member countries of the IMF under a variety of policies and lending instruments. Such financing is often conditional on the member adopting policy reforms to address the balance of payments problem that gave rise to the request for IMF support. According to Dr. Thomson Fontaine,<sup>7</sup> Chief Economic Advisor in South Sudan, the more widely used financial facility is the Stand by Arrangements (1952) and the Extended Fund Facility<sup>8</sup> (1974).<sup>9</sup> Stand by Arrangements provide short-term assistance for countries experiencing balance of payments difficulties of a short-term character, and the Extended Fund Facility provide longer-term assistance to support

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7. Thomson Fontaine is a retired economist of the International Monetary Fund, Washington, DC. He worked there for Fifteen years. In April of 2017, he was appointed the Chief Economic Advisor of South Sudan. He is a native of Dominica.

8. Other facilities include the supplemental reserve facility, the contingent credit line, compensatory financing facility, emergency assistance for natural disasters and post conflict, and the poverty reduction and growth facility (PRGF) targeted to low income members.

9. Thomson Fontaine. *Caribbean Country Experiences with IMF Stabilization Programs within the Context of Globalization*, Working Paper, 2011, p. 1.

members' structural reforms to address balance of payments difficulties of a long-term character.

In 1986, the structural adjustment facility (SAF) was established to provide balance of payments support on concessional terms to low-income developing countries. The SAF provides loans to support the medium-term macroeconomic and structural adjustment programs of these countries. A year later, the enhanced structural adjustment facility (ESAF) was established, which provides added assistance to countries but also requires stronger supporting programs. In 1999, the ESAF was replaced by the poverty reduction and growth facility (PRGF), which aims at sustained poverty reducing growth.<sup>10</sup>

The objective of these facilities is to help countries establish the conditions for sustained growth, strengthen their balance of payments position, and facilitate orderly relations with creditors and a reduction in trade and payment restrictions. The amount potentially available to each eligible member under a SAF arrangement is equal to 70 percent of the member's quota. SAF loans carry an annual interest rate of 0.5 percent, with repayments to be made semiannually, beginning 5 1/2 years and ending 10 years after each disbursement.

The majority of countries seeking IMF support do so because of unsustainable financial imbalances in the public sector. For the seven Caribbean countries under review, a typical scenario is where large public sector borrowing requirements had led to combinations of heavy domestic and foreign indebtedness, unmanageable external

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10. Ibid., 2.

current account deficits, crowding out of private sector activity, reliance on arrears, and high inflation.<sup>11</sup>

External financing difficulties may come about as a result of a combination of factors such as a shift in the terms of trade and large domestic spending programs. Many CARICOM countries are susceptible to these conditions because of a heavy reliance on one or a few export crops or minerals, and on large amounts of external financing through grants or loans. For instance, Jamaica has relied on bauxite and sugar, Guyana on bauxite, sugar and rice, and Dominica on bananas.<sup>12</sup> This section reviews the experiences of the seven Caribbean countries that have since 1981, secured IMF programs by focusing on the initial conditions, which gave rise to the difficulties and its severity, the type of financial support received from the IMF, the resulting stabilization policies adopted, and where possible attempt to determine the effectiveness of the particular program.

Caribbean countries facing balance of payments difficulties and seeking IMF support have generally relied on the stand by arrangements and the extended fund facility (EFF). Since 1979, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica and Trinidad and Tobago at various times have accessed the IMF financing facilities (see Table 8). Of these, Barbados, Belize and Trinidad and Tobago have accessed only the stand-by facility, while Jamaica and Grenada have accessed both the stand by and the extended fund facility.

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11. Ibid., 4.

12. Ibid.

**Table 8. IMF balance of payments support for selected countries (amount in U.S. million dollars)**

Country	Type of Arrangement	Date of Approval	Expiration Date	Amount Approved	Amount Drawn
Barbados	Stand-by	Oct 01, 1982	May 31, 1984	30	30
		Feb 07, 1992	May 31, 1993	17	17
Belize	Stand-by	Dec 03, 1984	May 31, 1986	7	7
Dominica	EFF	Feb 06, 1981	Feb 05, 1984	7	7
	Stand-by	Jul 18, 1984	Jul 17, 1985	1.4	0.97
	SAF	Nov 26, 1986	Nov 25, 1989	2.30	2.30
Grenada	Stand-by	Nov 06, 1979	Dec 31, 1980	0.62	0.62
	Stand-by	May 11, 1981	May 10, 1982	2.96	2.50
	EFF	Aug 24, 1983	Jan 23, 1984	13	1.1
Guyana	EFF 1/	Jun 25, 1979	Jun 24, 1980	49	8
	EFF 1/	Jul 25, 1980	Jul 21, 1982	114.3	39
	Stand-by	Jul 13, 1990	Dec 31, 1991	36	36
	ESAF	Jul 13, 1990	Dec 20, 1993	60	60
	ESAF	Jul 20, 1994	Apr 17, 1998	37	37
	ESAF/PRGF	Jul 15, 1998	Dec 31, 2001	37	17
Jamaica	EFF 2/	Jun 11, 1979	Apr 12, 1981	201	66
	EFF	Apr 13, 1981	Apr 12, 1984	399	336
	Stand-by	Jun 22, 1984	Jun 21, 1985	62	62
	Stand-by	Jul 17, 1985	Jul 16, 1986	111	40
	Stand-by	Mar 02, 1987	May 31, 1988	66	66
	Stand-by	Sep 19, 1988	Mar 22, 1990	64	32
	Stand-by	Mar 23, 1990	May 31, 1991	63	63
	Stand-by	Jun 28, 1991	Sep 30, 1992	33	33
	EFF	Dec 11, 1992	Mar 16, 1996	79	63
Trinidad and Tobago	Stand-by	Jan 13, 1989	Feb 28, 1990	75	75
	Stand-by	Apr 20, 1990	Mar 31, 1991	65	65

Source: International Financial Statistics, IMF: 1/ Cancelled prior to expiration date 2/ Cancelled prior to expiration date of June 10, 1981.

Dominica has accessed the stand by, extended fund facility and structural adjustment facility, while Guyana has only accessed the extended structural adjustment and poverty reduction facilities.<sup>13</sup>

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13. Ibid., 5.

**Jamaica:** In 1979, Jamaica became the first Caribbean country to receive IMF balance of payments support. Between 1979 and 1996, the country received almost uninterrupted IMF support agreeing to six stand-by arrangements and three extended fund facilities. Jamaica's initial approach to the Fund in the late seventies resulted from its chronic balance of payments problems. These problems were triggered primarily by the oil crises of the mid-seventies, and falling revenues from the bauxite industry that resulted when producers retaliated by cutting production in response to a government imposed levy on bauxite. In an attempt to maintain its previous spending levels, Government responded with rapid increases in borrowing from the Central Bank and overseas institutions.<sup>14</sup>

At the height of the balance of payments crisis, the government ran out of reserves after trying unsuccessfully to ration its supply. In 1977 there were only \$30 million U.S. dollars in available reserves from \$120 million U.S. dollars in 1975. A series of controls that were imposed and aimed at stemming the outflow of reserves simply resulted in a large parallel foreign exchange market. The government was eventually forced to devalue its currency.<sup>15</sup> Jamaica, therefore, entered the decade of the eighties with accelerating inflation, falling output, a severe foreign exchange crisis, and political and social tensions. Between the end of 1987 and May 1988, the Jamaican dollar had been devalued by 95%. In addition, the external debt increased steadily throughout the 1980s reaching

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14. Ibid.

15. In 1973 the Jamaican dollar was pegged to the U.S. dollar at a rate of J\$0.9091 to US\$1.00, and remained unchanged until 1977 when a dual rate system was adopted. The 1973 rate (basic rate) applied to certain essential imports and transactions of the government and bauxite sectors, and a special rate (J\$1.25=US\$1.00) was applied to other transactions. The dual rate was abandoned in May 1998.



US\$4.5 billion in 1989, or equivalent to 125% of GDP.<sup>16</sup> The balance of payments problems persisted into the nineties, and growth generally remained depressed in large part due to falling export levels of bauxite and sugar, the continued reliance on foreign inputs, and expanding import levels. In December 1992, the government signed unto a four year EFF in the hope of reversing or at least controlling the balance of payments situation.<sup>17</sup>

**Guyana:** Guyana ended its third ESAF program with the Fund in December 2001 after first accepting an EFF in 1979, which was later cancelled. By the time the first program was in place, the country was facing ballooning external payment arrears, a widening fiscal deficit, repeated devaluation of its currency and various exchange control restrictions. In addition, real output had declined repeatedly and the terms of trade has consistently worsened. Much of the balance of payments difficulties resulted from the collapse of the international bauxite market, declining agricultural exports, and the oil shocks of the mid-seventies and early eighties.

Adding to the foreign exchange problems was the net outflow of private capital as a result of the nationalization policies adopted by the socialist government, which resulted in state control of the sugar and bauxite industries, major financial institutions and consumer and marketing agencies.<sup>18</sup> Unable to service its external debt, the government was unable to source new funding from overseas. This problem was eased somewhat in the mid-nineties

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16. Fontaine. *Caribbean Country Experiences*, 7.

17. Ibid.

18. Ibid.

after a support group of seven countries headed by Canada successfully raised money to pay some of the countries arrears.<sup>19</sup>

**Trinidad and Tobago:** From the mid-seventies to the early eighties, Trinidad and Tobago benefited immensely from the rise in international oil prices recording current account surpluses in seven of the eight years between 1974 and 1981. At the same time, there was a consequent increase in the level of foreign exchange reserves. However, with the fall in oil prices in the early eighties, the country began experiencing balance of payments difficulties reflected in expanding current account deficits, and the eventual signing of a stand-by agreement with the Fund in 1989. An additional agreement was signed in 1990.

During the oil boom, the public service expanded rapidly leading to a significant increase in government's recurrent expenditure. With the large inflows of oil revenue, the government also invested in major capital expenditure projects. When oil prices fell in 1981, both the government and private consumption levels continued to increase with a general reluctance for individuals and government to adjust their lifestyles to which they were accustomed. Within a few years, a significant amount of the stock of foreign reserves was depleted.<sup>20</sup>

Between 1982 and 1987, the Trinidad and Tobago economy registered six consecutive years of negative economic growth. Over this period, earnings from the petroleum sector fell by close to one half, and the rate of unemployment more than

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19. Ibid.

20. Fontaine, *Caribbean Country Experiences*, 7.

doubled from 10 to 22 percent. In addition, real GDP in 1987 was 28 percent below the level of 1982, and over US\$2.8 billion in foreign exchange reserves was lost.<sup>21</sup>

**Dominica:** In February 1981, Dominica signed an EFF agreement with the IMF followed by the stand-by and SAF agreements in 1984 and 1986 respectively. When Dominica first took the Fund program, the country was reeling from the oil shocks of the 1970's and the devastating effect of hurricane David in 1979, which had virtually destroyed the main foreign exchange earner bananas as well as other agricultural produce.<sup>22</sup> The current account deficit had grown from \$10.1 million in 1978 to \$38.3 million in 1980. The level of government borrowing had also increased rapidly in the aftermath of the hurricane in government's attempt to rebuild the infrastructure, which was destroyed.<sup>23</sup>

By the time the SAF agreement was signed in 1986, government spending on wages and salaries to public sector workers had grown from 55 percent of total recurrent expenditure in 1984 to 62 percent in 1985 (approximately 21 percent of GDP). Also in 1985, real GDP growth plummeted to 1.6 percent compared to over 5 percent in 1985.<sup>24</sup> The reduction in the growth rate was due in large part to the combined effects of an 18 percent drop in banana production, and a fall in price. Correspondingly, the current account deficit surged from EC\$1.8 million in 1983 to EC\$ 7.2 million in 1984, and was recorded at EC\$6.4 in 1985. Also, during that time government loan

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21. Ibid., 8.

22. Ibid., 9.

23. Ibid., 8.

24. Ibid., 9.

borrowings continued to increase and the level of development aid was used to finance major capital expenditure projects.

**Barbados:** In the mid-seventies, tourism replaced sugar as the main foreign exchange earner in Barbados, with gross earnings from the industry increasing by 234% in current terms between 1978 and 1988. Barbados entered into two stand-by arrangements with the Fund, the first in 1982 and the other in 1992. Both of these arrangements were occasioned by large fiscal deficits combined with falling levels of foreign direct investment. The increase in borrowing to fund capital expenditure projects led to high levels of both domestic and external debt, and a subsequent increase in debt servicing. In summary, all of these declining economic conditions led to the IMF interventions.

### **Impact of IMF Policies on CARICOM**

In general, the design of stabilization programs places emphasis on reforming the tax system, making the exchange rate more competitive, liberalizing the trade regime, increasing privatization and reducing the external account and fiscal deficits and reducing government expenditure. By focusing on these issues, policy makers hope to create an environment that is conducive to increasing production and exports.<sup>25</sup> All the Caribbean countries in this review entered into the IMF arrangements because of large fiscal deficits, and adopted stabilization programs that have generally been of a contradictory nature. Typically this involved fiscal measures aimed at reducing the levels of government spending and the broader public sector coupled with measures

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25. Ibid., 10.

aimed at stimulating private sector activities, and reforming the tax regime. Jamaica, Trinidad and Tobago and Guyana also undertook privatization or liquidation of public enterprises, and improvements in pricing and efficiency of those that remained.<sup>26</sup>

The countries also relied on monetary policy mainly as a complement to fiscal policies. Some countries like Barbados and Jamaica instituted credit controls, ceilings on deposits and engaged in open market operations. Jamaica, Trinidad and Tobago, and Guyana opted for devaluation while Dominica, Barbados, Belize and Grenada each ruled out devaluation or were not in a position to devalue.<sup>27</sup> The later four all maintained their peg status to the U.S. dollar.<sup>28</sup>

In the case of Guyana, the government reduced the size of the civil service by almost one-half between 1991 and 1998 but did not cut nominal wages. Government further reduced spending on transfers and capital expenditures. In addition, debt service payments were reduced with the successful negotiating of debt relief.<sup>29</sup> A number of tax measures were put in place including reducing the rate of corporation taxes, and abolishing several excise duties and replacing them with a consumption tax. In 1991, the

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26. Ibid.

27. In the case of Dominica and Grenada, their membership in the Eastern Caribbean Central Bank meant they could not on their own agree on a devaluation.

28. After the Barbadian dollar was removed from being linked with sterling in July 1975, it was revalued against other currencies and pegged to the US dollar at a rate of Bds\$2.00 = US\$1.00. Similarly, the Belizean dollar was delinked from the British pound in May 1976 and pegged to the US dollar at BLZ\$2.00 = US\$1.00. The Eastern Caribbean dollar after been linked to sterling at EC\$4.80=£ 1.00 from 1965 to July 1976 was pegged to the US dollar at a rate of EC\$2.70 = US\$1.00.

29. Fontaine. *Caribbean Country Experiences*, 11.

personal income tax threshold was increased and all previous deductions and allowances were cancelled.<sup>30</sup>

That same year, monetary policy included the lifting of controls on interest rates, but a minimum deposit rate was retained. Also, in April 1991, 80 percent of excess reserves were converted into debentures, and some open market operations were permitted mainly to sterilize capital flows. In an attempt to improve on the external imbalance, the Guyanese currency was repeatedly devalued<sup>31</sup> with a view to improving in the value of exports while reducing import levels. In 1986 it was about G\$4.00 to the dollar but had depreciated to about G\$39.50 in 1990 and in 1991 was further devalued to G\$111.81.

At the beginning of the program in Barbados, the government ruled out devaluation and focused almost exclusively on fiscal contraction. In 1992 the government's fiscal deficit was reduced to \$278 million from \$416 million in the previous year. In late 1991 nominal wages in the public sector was cut by 8 percent and frozen the following year. At the same time, 11 percent of public sector workers were dismissed, and capital expenditures sharply reduced.<sup>32</sup>

On the revenue side, a stabilization tax of 1–5 percent was imposed on incomes, consumption tax on basic commodities was increased from 10 to 17 percent, and a 20 percent tax on luxury imports was levied. In addition, water, gas, postal and public transport

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30. Ibid., 11.

31. Since October 1984, the official exchange rate has been officially determined on the basis of a fixed relationship to a basket of currencies consisting of the pound sterling, the deutschemark, the French franc, the Netherlands guilder, and the Japanese yen. In reality however, the Guyanese dollar is adjusted to maintain a certain level against the U.S. dollar.

32. Ibid., 11.

rates as well as rents on public housing were increased. Shareholdings in various public entities were sold during that period.

Monetary policy as a means of controlling consumer and government access to liquidity was used with some success.<sup>33</sup> Limits were placed on central bank lending to the public sector and the liquid assets and minimum deposit rates were raised while the ceiling on loan rates were removed. The discount rate was increased as a means of discouraging commercial bank lending from the central bank, and some open market operations were adopted with a view to tightening the availability of liquidity.

In an attempt to encourage private sector investment, broaden the tax base, and simplify the tax system, the government of Dominica introduced a major tax reform in FY 1987-88 as part of its stabilization program.<sup>34</sup> Consumption taxes were unified at 20% except for luxury items with a surcharge of 15%. A single customs service charge of 1.5% and a gross receipt tax of 3% were introduced. All allowances with the exception of mortgage interest were abolished, and a 10% investment credit to business firms and a development levy on banana income were introduced.

In 1986, the government of Trinidad and Tobago reduced the public sector wage bill by suspending cost of living allowances and merit pay increases and by reducing nominal public sector wages by 10 percent. A voluntary severance program was also introduced aimed at reducing the size of the public sector. The government also reduced its holdings in several energy companies and liquidated many state enterprises. An attempt was also made at tax reform through the abolishing of several taxes and the introduction

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33. Ibid., 12.

34. Ibid.

of a 15 percent value added tax (VAT) covering all goods and services except for exports and some basic commodities.<sup>35</sup>

Selective credit controls, reserve requirements, and limited open market operations were used by the central bank in an attempt to control the availability of credit. For a certain period, banks wishing to lend to certain state enterprises and statutory authorities would have to consult with the central bank before reaching a decision, and the discount rate was increased as a means of reducing borrowings by commercial banks.

In 1988 faced with a renewed decline in international petroleum prices and a significant increase of external debt service payments, the government adopted a more comprehensive adjustment program. The program included a 15 percent devaluation resulting in a cumulative depreciation in real effective terms of over 40 percent, since the beginning of 1985, sizeable reductions in government expenditure, and increases in the central bank lending rate.

Between 1984 and 1986, the government of Jamaica initiated deep cuts in the level of public expenditure by laying off approximately 10,000 public sector workers, and reducing the level of subsidies. On the revenue side, public utility rates and national insurance contributions were increased, and public enterprises privatized.

In the early eighties, the Jamaica government relied on interest controls, selective credit and liquid asset requirements, but later introduced credit ceilings and the use of open market operations as a means of curbing the availability of domestic credit. In addition, the currency was repeatedly devalued in an effort to improve on the competitiveness of domestic exports. Several government owned entities including banks, hotels, transport,

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35. Ibid.



and communications was privatized and the efficiency of others improved. In summary, the CARICOM countries were left with no choice but to under the use of the IMF.

### **CARICOM's Historic Progression into the Global Arena**

To fully understand the nature of the political economy of CARICOM countries, one can partition the development of these states into four phases.<sup>36</sup> The four sections considered are as follows:

1. **First Stage 1950s-1960s:** Period of export orientation;
2. **Second Stage:** Import substitution industrialization;
3. **Third Stage:** The advent of the International Monetary Fund Structural Adjustment Programs; and
4. **Fourth Stage:** The rappelling with International Monetary Fund Structural Adjustment Programs.

The first phase was the 1950s and 1960s period which was characterized by the promotion of industrialization and diversification of local economy. The idea then, was to move away from the traditional Caribbean dilemma of dependency on agriculture. The theoretical insight for this strategy was purported by Sir. W. Arthur Lewis. This model is sometimes referred to as the Lewis Model or the Dual-sector Model. Lewis's original work is entitled "Economic Development with Unlimited Supplies of Labor," published in 1954 at The Manchester School. Lewis saw the policy of industrialization for the Caribbean as a means to overcome the dual problem of markets and resources. The nature of the economy then was featured with a shortage of capital, expensive industrial

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36. Marie Freckleton and Nikolaos Karagiannis, *The Caribbean Economies in an Era of Free Trade*, eds. Nikolaos Karagiannis and Michael Witter (Jamaica: Ashgates Publishing Limited, 2004), 110-111.

power, a lack of productive raw materials, and low wages.<sup>37</sup> Many of the industries were not based on the processing of raw materials but rather the processing of imported inputs. Even so, efforts of import substitution accounted only for a small portion of the industrial output - certainly not enough to generate full employment.

As a result, Lewis recommended the policy of export-oriented industrialization. He channeled the package for investment incentives based on the Puerto Rican model.<sup>38</sup> The Puerto Rican model is also referred to as Operation Bootstrap. It was an initiative of the United States Federal Government that set forth a series of ambitious economic projects in Puerto Rico. The purpose of which was to foster a transition from a pre-industrial to an industrial economy. The idea was to bring in the inflow of foreign capital that would generate profit, increase local savings and transmit sufficient skills to the local people - a path that would lead to sustainable development.<sup>39</sup> The results were positive. Foreign capital started to flow to Caribbean governments. By 1967, manufacturing accounted for 15 percent of GDP in Jamaica, 16 percent in Trinidad, 13 percent in Guyana, and 9 percent in Barbados.<sup>40</sup> The effort of industrialization was accompanied by the promotion of tourism. Tourism was seen as a viable option to prosperity - notwithstanding its vulnerable dependence on the global North. Furthermore, due to the fact that tourism catered to the wealthy foreigners, it placed a burden on Caribbean governments to maintain high standard of accommodation

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37. Ibid., 110.

38. Frank Long, "The Puerto Rican Model of Industrialization: New Dimension in the 1980s," *Development Policy Review* 6, no. 3 (September 1988): 311-4-322.

39. Freckleton and Karagiannis, *The Caribbean Economies in an Era of Free Trade*, 110.

40. Ibid.

and hospitality. Tourism also required dependency on capital and imports including food, which resulted in inflated import bills and profits seemingly repatriating back to the global North. In 1972, the Commonwealth Caribbean Regional Secretariat admitted the following:

The post-war era of the economic growth represented] a continuation of the centuries-old pattern of West Indian economy - growth without development; growth accompanied by imbalances and distortions; growth generated from outside rather than within; growth without the fullest use of West Indian manpower, entrepreneurial capital and natural resources; growth resting on foreign rather than indigenous technological base; and growth accompanied by imported consumption patterns.<sup>41</sup>

The second approach to development was consistent throughout the global South particularly in Latin America and the Caribbean is Import Substitution Industrialization (ISI). This approach has been influenced by dependency theory and World System Theory (WST).<sup>42</sup> The main idea behind this approach was to enable poor countries to develop independent manufacturing sectors within their own economy that would serve as catalyst for growth. ISI policies were supposed to help countries develop by protecting local industries. Some of the practical measures included state limits or even complete ban on the importation of foreign products, and increased barriers to trade (quotas, tariffs and taxes). ISI encouraged the domestic manufacturers to produce, the otherwise imported products. This created an environment where the local industries stood greater chance for success, since they did not have to compete with the foreign firms. ISI was sometimes practiced in conjunction with expropriation. These policies sound effective in theory but did not bring about wide spread growth. These policies eventually

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41. Ibid., 111.

42. James Scott, Ralph Carter, and Cooper Drury, *International Relations* (Boston, Cengage Learning, 2014), 290.

had to be abolished. A primary reason for the abandonment of the ISI agenda was orchestrated directly from the International Monetary Fund and the World Bank.<sup>43</sup>

In the 1980s, the political agenda and the political economy of CARICOM countries were significantly shaped by the United States and the global North. This brought about the advent of the third stage of development. In keeping with the tenets of neo liberalism, the International Monetary Fund (IMF) and the World Bank (WB) became the common agenda for CARICOM governments. The use of the Structural Adjustments program became the focus for CARICOM Governments. A primary reason that explains why the policy shifted towards the IMF and the WB is the 1980-1982 international recession. The recession caused massive decline in the demand for the region's main exports including bauxite, petroleum and sugar. CARICOM countries became plagued with balance of payment problems, fiscal imbalances, and national debt problems.<sup>44</sup>

The fourth stage of development has been characterized by the perpetuation and rapping with nuances of the IMF, and other International Financial Institutions. The prescriptions of the International Financial Institutions (IFI), particularly the IMF and the WB were homogeneous in nature. Typically, the measures included devaluation of the currency, devaluation of domestic demand, privatization of state owned companies, liberation of foreign exchange and import controls.<sup>45</sup> The impact of these neoliberal policies has been horrendous. CARICOM countries have experienced increased unemployment,

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43. Ibid.

44. Ibid., 111.

45. Ibid.

increased inflation and decline in the standard of living. The main victims of these policies tended to be the elderly, children, and low income people.

The aforementioned approaches to Caribbean development are considered since these are historical realities which have occurred in the region. However, in a later chapter, the writer presents an analysis of the competing paradigms of economic theories of development. A central theme of this study hails from Diana Hunt who published a comprehensive piece of literature entitled *Economic Theories of Development* which provides an analysis of competing paradigms. One has considered these existing paradigms and has ventured to apply them to the realities of CARICOM. The intention here, as with the other approaches, is to first clearly articulate these approaches and secondly, analyze their application toward Caribbean development and/or underdevelopment. In this way, one can juxtapose some key elements of these approaches and draw inferences that demonstrate their application and or utilization by CARICOM government. The following section identifies the paradigm that hails out of Hunt's summary. While these are briefly stated here, it is important to note that an entire chapter is devoted to this section.

**The Structuralist paradigm:** In this section, the researcher examines the causes of domestic price inflation in the periphery, the role of foreign aid in the structuralist paradigm, and criticisms of the structuralist paradigm.

**The paradigm of Expanding Capitalist Nucleus:** In this section the researcher considers the essential elements of this approach, including a revisit of W. A. Lewis' perspective on "economic development with unlimited supplies of labor."

**The Neo-Marxist paradigm:** This section presents a summary of the neo-Marxist paradigm, Paul Baran's analysis of the causes of underdevelopment, Samir Amin view on underdevelopment in the periphery, and criticism of the overall framework of neo-Marxism.

**Dependency analyses:** This section is a discussion of the origin of dependency analyses, the classification of dependency analyses, and criticisms of this approach.

**The Maoist paradigm:** In this section, the researcher denotes a clear articulation of the Maoist paradigm, the policy implications, and policy implementation of the Maoist approach.

**The Basic needs paradigm:** In this section, the researcher probes into why the basic needs paradigm serves as an alternative approach and the policy implications of the basic needs paradigm -including its foreign aid implication.

**The Neo-classical paradigm and its role in economic development:** This section is an examination of the overall contribution of neo-classical paradigm and the recent criticism of its application in economic development.

The conceptual framework of this study employs the dependency theory. Scholars like Demas, Lewis, Lashley, and Ramsaran (among others) have addressed directly the nature of, and have purported rationale for the underdevelopment of the Caribbean region. The named authors have each targeted this phenomenon from their unique viewpoint - much of which will be examined further in later chapters of this research. Conversely, however, one points to a core of scholarship that addresses underdevelopment from a more global perspective. Scholars like Kari Levitt (*Reclaiming Development: Independent Thought and Caribbean Community*), George

Beckford (*Underdevelopment in Plantation Economies of the Third World*), Claude Ake (*Democracy and Development in the Africa*), and Walter Rodney (*How Europe Underdeveloped Africa*) have all taken a dichotomies (global South verses global North) approach to the problem of underdevelopment.

### **Current Challenges between CARRICOM and the IMF**

The literature written on the International Monetary Fund's (IMF) Structural Adjustment Programs (SAP) is critical to this study, particularly as it applies to the long-term success of these programs. The literature on the subject matter is also critical because one seeks (1) to see what has and has not been investigated; (2) to develop general explanations for observed variations in a behavior or phenomenon; in this case, IMF and CARICOM development; (3) to identify potential relationships between concepts and identify researchable hypotheses; and (4) to learn how others have defined and measured key concepts; and to discover how this project might be related to the work of others. Paramount among the aforementioned list is the success and/or failure of these programs as it relates on the recipient countries prospect for sustainable development.

There are two basic position held on this issue. Those who argue in favor of IMF's Structural Adjustment programs have laid out a series of reasons why Less Developed Countries (LDC) should subscribe to IMF. Opponents of these programs are more skeptical because of the counter effects that are vividly evident in many of the developing countries, particularly African, Caribbean and Pacific (ACP) countries. Critics of IMF programs, argue that LDC's are often left in a more baneful state after undergoing some form of

adjustment program, than before they began these programs.<sup>46</sup> This dichotomous dilemma has raised the researcher's interest into studying this phenomenon. The major theme here ergo, one seeks to understand the rationale that perpetuates the use of these programs in spite of the fact of the realities of underdevelopment.

### **Discussion on IMF and CARRICOM**

The supporters of IMF programs strongly recommend IMF intervention for three main reasons - Lending, Technical Assistance and Surveillance. A member country may request IMF's financial assistance if it has a balance of payments need. That is, if it cannot find sufficient financing on affordable terms to meet its net international payments. An IMF loan eases the adjustment policies and reforms that a country must make to correct its balance of payments problem and restore conditions for strong economic growth.

Technical assistance is one of the benefits of IMF membership. It is normally provided free of charge to any requesting member country, within IMF resource constraints. About three-quarters of IMF technical assistance goes to low and lower-middle income countries, particularly in sub-Saharan Africa and Asia. Post-conflict countries are also major beneficiaries. Countries that have benefited in this area include the Democratic Republic of Congo, Iraq, and Afghanistan among the top recipients in recent years.<sup>47</sup> A wide range of other countries seek technical assistance to strengthen their capacities. In helping individual countries reduce weaknesses and vulnerabilities, technical assistance also contributes to a more robust and stable global economy. The IMF provides technical assistance in its area of

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46. Mary Ann Zehr, "G8s Loan Forgiveness In Selected Poor Nation Could Benefit Education," *Education Week* 24, no. 42 (July 2005): 11.

47. Ibid.



expertise, namely: macroeconomic policy, tax policy and revenue administration, expenditure management, monetary policy, the exchange rate system, financial sector sustainability, and macroeconomic and financial statistics.<sup>48</sup> Because the demand for technical assistance far exceeds supply, the IMF gives priority to providing assistance where it complements and enhances the IMF's other key forms of assistance, surveillance and lending.<sup>49</sup>

The IMF has a mandated under Article IV of its Article of Agreements to exercise surveillance over the exchange rate policies of its members in order to ensure the effective operation of the international monetary system.<sup>50</sup> The general idea is to help member countries achieve financial stability and sustainable economic growth. The objectives of surveillance remain the same today just as it did in 1977. However, the framework for surveillance has evolved significantly in order to promote the benefits and respond to the challenges of an increasingly open world economy. The primary challenge is the dramatic expansion of international capital flows. Consequently, Surveillance today covers a wide range of economic policies, with the emphasis given to each varying in accordance with a country's individual circumstances.<sup>51</sup> Opponents of IMF programs noted several reasons why these programs are not encouraged. One major criticism against SAP is the high level of austerity countries undergo while under the arms of IMF. Moreover, critics claim that IMF is just another bank; hence the largest beneficiaries are banks and elitists. Besides, the austerity placed on the debtor countries

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48. Ibid.

49. Ibid.

50. Ibid.

51. Ibid.

creates moral hazards. Other critics noted that IMF's notion of free trade does not benefit small economies.

The researcher considered several scholarly works on IMF's Structural Adjustment Programs. The general idea was to depict a global perspective of how successful are these programs. The researcher examined success stories in Africa, Asia, Europe, the Middle East, Latin America and the Caribbean. However, although these stories may have been successful, it is important to note that most of these economies fluctuate. For instant, the incidence of relative poverty although it has risen in Sub-Saharan Africa (SSA), has fallen in both East and South Asia.<sup>52</sup> And though there have been little signs of progress in SSA, information on the incidence of poverty suggest that the trend in towards a reduction in poverty continued unabated in Asia.<sup>53</sup> The Asian financial crisis brought an end to what was considered an exemplary model of poverty alleviation program. The headcount ratio in Indonesia rose from eleven percent 1997 to an estimated fourteen to twenty-three percent in the last quarter of 1998. Also, in Korea the proportion of urban households below poverty line rose from 7.5 percent 1997 to 22.9 percent during the same period.<sup>54</sup> Nonetheless, Asian model of poverty alleviation remains a useful lesson for developing countries, particularly SSA.<sup>55</sup> Why did the Asian model of IMF's program to

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52. Erik Thorbecke, "Evaluation of Poverty-Alleviation Impact of Alternative Development Strategies and Adjustment Response in Africa and Asia," Report presented at the World Bank Conference, Washington DC, June 14-15, 1999.

53. Ibid.

54. Kene Ezemenari, Anders Rudqvist, and Kalanidhi Subbarao, "Impact Concept and Methods," Biannual Conference, World Bank and Operation Evaluation and Development, January 1999.

55. Thorbecke, Evaluation of Poverty-Alleviation, June 1999.

alleviate poverty, been so successful? The answer lies in half a century of development experience that has led to a broad consensus on major strategic elements. The result has been a faster rate of poverty eradication. Firstly, rapid poverty reduction has been more likely in countries during periods characterized by rapid economic growth. Secondly, “an outward orientation and strategy of export-led growth based on labor-intensive manufactures is particularly conducive to poverty alleviation.”<sup>56</sup> Furthermore, emphasizing agricultural and rural development at an early stage and encouraging the adoption of green revolution technologies have helped to create productive employment and reduce food price thus benefited the poor. Additionally, investments in physical infrastructure and human capital add to the resource endowment of poor, unskilled households. A strategy cultivated from the Asian successful experience is certainly applicable to the unit of analysis of this study—CARICOM. CARICOM Governments needs to give farmers and entrepreneurs the right incentives, including property rights, inputs including fertilizers and pesticides, and should provide subsidies. Pursuant to this end, social policies should promote health, education and social capital and minimum safety nets to help protect the chronically poor.

The issue of conditionality is critical. This issue was examined in a 1995 study of IMF and the results were impressive. The study concluded that the conceptual approach to designing adjustment programs was sound. And that most countries adhered reasonably well to their policy programs, and that most aspects of macroeconomic

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56. Ibid.

performance improved.<sup>57</sup> The most striking gains were on the external accounts; developments in the key domestic targets-inflation, investment, and growth-were less impressive.<sup>58</sup> These patterns prompted an examination of ways to strengthen the design of programs.

Pursuant to the notion of the success of IMF polices, Susan Schadler, in the *IMF Policy Review Quarterly*, stated that several countries experienced improvement during arrangement and even afterwards. Improvements were particularly large in external sector. In countries that started their arrangement in the midst of acute balance of payment crises (mostly the countries that had not had recent arrangements with the IMF), a marked improvement occurred quickly.<sup>59</sup> Official reserves rose to more comfortable levels; about half of the countries that had had external arrears cleared them. Some countries (particularly those that had recent arrangements) benefited from large increases in capital inflows. And the current accounts of these countries converged toward positions that could be financed by normal capital inflows.

Admittedly, the disappointment came in the form of inflation. While most countries experienced positive external growth, domestic economies remained disarray. Undoubtedly, this occurrence seems to be a common theme as noted by Dr. Michael Witter (Jamaican economist) and Michael Manley (Former Prime Minister of Jamaica). However, a few countries (the former Czechoslovakia, Mexico, and Poland) sustained dramatic reductions of inflation from very high initial rates, but many continued to experience the

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57. Susan Schadler, "How Successful are IMF Supported Adjusted Programs?" *Finance and Development* 33, no. 2 (June 1996): 1-3.

58. Ibid.

59. Ibid.

moderately high inflation rates they started with; a few (Algeria, Hungary, Jamaica, and Romania) even saw inflation accelerate.<sup>60</sup> Still, for most countries outside Central Europe, there was some strengthening of growth and, on average, an increase in savings ratios.

Middle Eastern countries have experienced positive results from International Monetary Fund adjustment programs. In 2005, Iraq had announced the successful closing of a debt exchange offer on \$14 billion in outstanding commercial obligations. The country also received a \$685 million standby credit agreement from the IMF December 23 2005.<sup>61</sup> Former U.S. Secretary of the Treasury John Snow congratulated Iraq on the success of its debt exchange offer in which commercial creditors holding a portion of the country's outstanding sovereign debt will be allowed to convert that claim into one of two obligations: either part-interest in a multicurrency loan or a privately placed dollar-denominated bond. The immediate advantage resulted in a reduced burden on Iraqis of the Saddam-era debt of more than \$11 billion.

In all, the program eliminated \$11 billion of the \$14 billion in Iraq's commercial debt.<sup>62</sup> A statement by John Snow, Former Treasury Secretary, said, "Resolution of Iraq's commercial debt gives further evidence of Iraqi determination to meet its commitments to secure an IMF program. This action is another important milestone in Iraq's reintegration into the international community, and paves the way for the next phase of Iraq's much needed debt reduction. If achieved, a successful IMF

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60. Ibid.

61. International Monetary Fund, accessed November 2, 2015, <http://www.imf.org>.

62. Ibid.

program would underpin economic stability and help lay the foundation for an open and prosperous economy.”<sup>63</sup>

Poland reported positive financial statements from IMF Structural Adjustment Programs. Poland embarked on a broad-ranging transition from socialism to market economy. This transition brought many unforeseen economic challenges to the Polish Government. In the early 1990s, Poland’s short-term macroeconomics was filled myriad disarray. The country faced large fiscal deficits, misaligned exchange rates, and quickened the drift towards hyperinflation.<sup>64</sup> The policies IMF applied in Poland ranged from fiscal adjustment, devaluation of currency and fixing and tightening of monetary policies. The results were interesting. Poland received monies from seventeen nations on a bilateral agreement basis. And this highlighted the role that Poland played in the mobilization of funds from other sources. These funds were used specifically in helping with stabilization, reduction of debt, building confidence, and fostering relationships between private and public sector.<sup>65</sup> Additionally, since Poland was undergoing a transition from socialism to market economy, the IMF technical assistant division played a key role in giving advice.

## **Failures**

Notwithstanding the collection of data presented in the statement of problem and the theoretical framework of this study, the writer presents further perspectives on the failures

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63. Ibid.

64. Andrés Velasco, *Country Case Studies: An Analytical Summary* (Cambridge, MA: Harvard University Press, 2003), 157.

65. Ibid.

of IMF polices. One broad reason noted is failures and errors and misconceptions in the economic theory applied. The idea that in restructuring Heavily Indebted Poor Countries (HIPC) budget, the deficit had to be eliminated completely is disputable. On contrary, plethora of evidence suggest otherwise. Pursuant to the misconception of economic theory is seen in this reference from Bill Peter: “As a rule of thumb balancing the budget in IMF terms, means cut back on healthcare, education and sanitation expenditures.”<sup>66</sup> The resulting effect of this “balancing budget” argued, resulted in myriad set back of health and education programs.

Another detrimental effect is the reduction in the ability for expansion of the economy. Take for instance the case of South Korea. South Korea was constantly asked to cut back on its education program by the IMF. The country refused on this conditionality over a 12 year period. Thereafter, economic analyzers suggested to Korea that investment in education and health was vital for economic growth. Ironically, the International Financial Institute (IFI) began to claim the praises and that they were taking leading role in promotion of education and health. Yet, they never claimed the myriad statistics of declining literacy rates, infant and post-partum mortality, and other baneful social indicators in Africa.<sup>67</sup> The notion of fallacy of composition is critical. Repeatedly, some fifty-two countries have been urged to switch particularly agricultural production from domestic market to production for export. Apart from the obvious effect it leaves on domestic cost of living, this notion inevitable swings the

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66. Bill Peter, The Third World Debt Crisis - Why A Radical Approach is Essential, *Round Table* 345, no. 1 (April 2000): 1-7.

67. Ibid., 1-7.

terms of trade of the economies involved.<sup>68</sup> This has created a dubious impression as to how effective are IMF programs.

Other scholars explore an even deeper effect in terms of trade. Howard Stein says the theory of fallacy of composition effects of “exacerbating” the exports positions of the resource producing countries, yet low demand elasticity results. By swinging terms of trade, Stein argues, producing countries earning capacity are “chronically” reduces - added to the fact that they are still kept tightly to their loan agreements. Basically, he concludes, since the World Bank (WB) and IMF began their “debt relief” programs, most HIPC, have moved more deeply into debt. Furthermore, “Neo-classical development economies have little understanding of how to develop Africa’s economy or how to better integrate them in the global world.”<sup>69</sup> The issue of conditionality arises again. Kiichi Miyazawa, Minister of Finance in Japan, questioned the “fiercely rigid conditions imposed” by IMF and warned that “too much tightening ... could lead to overkill of the economy.”<sup>70</sup> Besides, although Asian countries accepted the need for adjustment, the measures imposed by IMF were “too austere, jeopardized medium-growth for short term stabilization” and did not pay close enough attention to social consequences.<sup>71</sup>

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68. Ibid.

69. Howard Stein, Globalisation, Adjustment and the Structural Transformation of African Economies? The Role of International Financial Institutions. Working Paper (Coventry: University of Warwick, Centre for the Study of Globalisation and Regionalisation), May 1999.

70. Julius Court, “Global Finance and Development,” *Development in Practice* 10, no. 1 (February 2000): 114-117.

71. Ibid.



Another main criticism against IMF is arises not from the economic theories applied but political dilemma with regards to poor black countries. For instant, former Prime minister General Mobutu or Abacha had been financially corrupt.<sup>72</sup> There were talks of corruption in Zaire as well. Indeed, large sums of IMF funds were poured into Zaire, but small percentage of that money went into Zairean economy.<sup>73</sup> While these claims may well be plausible, the authors noted that IMF had the audacity to characterize corruption as a political trait common to HIPC.

### **Summary and Relevance to Caribbean Development**

Ramesh F. Ramsaran has written extensively on the IMF SAP. One of his more comprehensive pieces is entitled “The Challenge of Structural Adjustment in the Commonwealth Caribbean.” According to Ramesh F. Ramsaran, the measures associated with IMF SAP do not guarantee success. Ramsaran argued that factors affecting growth may be influenced by exogenous factors - outside the control of local authorities. For a long time, Ramsaran argues, the IMF did not admit that outcomes could be influenced by external factors.<sup>74</sup> Consequently, he contended that many of the IMF programs are not based on sound economic theory. To this point, “It is necessary to distinguish between tactics, semantics, stratagems, and proven theory.”<sup>75</sup> The main point is that the collective understanding of economic development and adjustment process is not very clear. There

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72. Peter, *The Third World Debt Crisis*, 1-7.

73. Ibid.

74. Ramsaran, *The Challenge of Structural Adjustment in the Caribbean*, 101.

75. Ibid.

is a consensus that economic performance of developing countries has multiple determinates both internal and external: Some are policy related and some the results of resource endowments and state technology; some respond quickly to domestic policy measures and others require a long time to change. Still others can only be addressed at the policy level by international community.<sup>76</sup>

The effectiveness of a typical IMF/World bank package can be contradictory. For example, higher interest rates are often encouraged for saving, but higher lending rates that tend to accompany higher deposit may discourage investment. Take for instance, major development plans to increase farming productivity, yet subsidies interest to farmers and small business are often discouraged.<sup>77</sup> Ramsaran sees this contradiction as a common mistake in Jamaica for example. One has echoed this observation as witnessed in the case of Dominica, the very same programs that quite frankly seem counterproductive. Ramsaran's view is parallel with Jonathan G. Lashley's analysis on the failure of IFI. Lashley, who referenced former Prime Minister of Dominica, Dame Mary Eugenia Charles, when she said, "At interest rates that are high, nobody can borrow." The former Prime Minister was referring to what she considered unrealistic interest rates from IFI. Conversely, Michael Manley, former Prime Minister of Jamaica echoes this view as he spoke of the constraints posed by the IMF, and the WB on cross-conditionality. Manley used the analogy of a man being hanged by two ropes on opposing ends and stretched until he can't breathe anymore. This analogous expression depicts Manley's view of how

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76. Ibid., 11.

77. Ibid.

burdensome the constraints set by the IMF and the WB on Jamaica specifically, and CARICOM by extension.

Ramsaran further purported that policies associated with IMF adjustments are not directed on the intent of the development of the developing countries but are based on the interest of the industrialized countries and the International Financial institutions. This view has been echoed by several scholars including Claude Ake's *Democracy and Development* and Kari Levitt's *Reclaiming Development*. The donor institution do not lend based on the availability of funds but rather based more on the charters and traditions.<sup>78</sup> "Developing countries have long argued that allocation of Special Drawing Rights (SDRs) should be based on need rather than on IMF quotas - as this would offer another medium of transfer resources to poor countries."<sup>79</sup> In sum, Ramsaran purported that the tendency to treat a state like a firm is a critical mistake. Jonathan Lashley also alluded to this point. Pursuant to Ramsaran's point in a situation where the state is faced with high unemployment, where income is unequally distributed, where malnutrition is a serious problem, where housing is inadequate and social structures are very weak - a government ought not to operate as a neutral "business" enterprise. Level of savings and profits should not be the sole concerns. Subsidies and social safety guards must be a priority. Unfortunately, the latter proposition does not accompany most IMF programs.

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78. Ibid. 14.

79. Ibid.

Susan Schaller, in an article entitled “How Successful are IMF supported Adjustment Programs,”<sup>80</sup> argued that in general, countries that undergo the IMF program do experience some external growth. Admittedly, she points to countries which experienced disappointment, such setbacks came in the form of inflation. While most countries experienced positive external growth, domestic economies remained disarray. For example, a few countries (the former Czechoslovakia, Mexico, and Poland) sustained dramatic reductions of inflation from very high initial rates, but many continued to experience the moderately high inflation rates they started with; a few (Algeria, Hungary, Jamaica, and Romania) even saw inflation accelerate.<sup>81</sup> An economist and professor, Velasco Andrés served as Minister of Finance of Chile from March of 2006 to March of 2010. Andrés alluded to what he referred to as “the failures, errors and misconceptions in the economic theory applied.”<sup>82</sup> The idea that in restructuring Heavily Indebted Poor Countries budget, deficit had to be eliminated completely is disputable, he contended. On contrary, a plethora of evidence suggest otherwise. The writer presents a series of data, in the data and analysis section of this study that reflects Andrés’ claim. Andrés’ understood the notion that, “as a rule of thumb, balancing the budget in IMF terms, means cut backs on healthcare, education, and sanitation expenditures.”<sup>83</sup> The resulting effect of this “balancing budget” argued, resulted in myriad set back of health and education programs.

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80. Schaller, “How Successful are IMF Supported Adjusted Programs,” 1-3.

81. Ibid.

82. Velasco, *The Country Case Studies: An Analytical Summary*, 47

83. Peter, “The Third World Debt Crisis,” 1-7.

William Demas in 1965 published *The Economic Development in Small Countries*. This might be one of, if not perhaps the most comprehensive economic literature on Caribbean development. In his study, Demas examined several CARICOM countries political economies. He noted the primary nature of the industries as extractive, ergo, bauxite in Jamaica, gold in Guyana, and oil in Trinidad. Outside of these main resources, the Caribbean economies are basically characterized by the dependent industries of tourism and agriculture. His work provided a strong development vision, models and strategies on Caribbean development. Demas did take an interesting approach of exploring several of the countries, Guyana's and Jamaica's, relationships with the IMF. The common theme among these states is the plague of debt and devaluation of currency. Following Demas' study, a series of scholastics works were written in the 1960s through the 1970s. This group of scholars referred to as the New World Group dominated the ideology and paradigm shift on Caribbean development during this ear. Admittedly, their work has undoubtedly influenced this study. For example, Girvan, Beckford and Lloyd have each shaped ones view of seeing Caribbean economies as being in a state of perpetual dependency. However, from the 1980s onwards approaches to development have been based on the Washington Consensus model.

Whereas Ramsaran, Peters, Court, and Miyazawa presented compelling perspectives on development and the challenges associated with the Washington Consensus model, Norman Girvan, an astute scholar on Caribbean political economy, presented a critical view through different lens. Girvan addressed not only the IFIs but rather he also considers the

Caribbean community role in fostering its own development. In his 2007 piece entitled *Reinterpreting Caribbean Development*, he laid out clear insight in the changing political economy environment. The main theme here is that while considering both threats and opportunities, the Caribbean must refine itself in terms of its own interest, alliances and other stake holders.

Girvan pointed to the vision that the late Dr. Eric Williams had already given clear indication of. That is, the English-speaking Caribbean would need to come to terms with the existence of its non-Anglophone neighbor. As a strategic means towards fostering economic growth in the region, Dr. Eric William had forwarded the Economic Commission for Latin America and the Caribbean (ECLAC). Girvan emphasized the important role that the West Indian Customs Union, of which the CARICOM Single Market and Economy (CSME) is essential.<sup>84</sup>

Girvan purported what he calls the main reasons why CARCIOM must refine its nature and operations. Firstly, the World Trade Organization (WTO) ruling on the European Union (EU) banana issue. Therefore, banana exporting countries of CARICOM must change strategies. The data are clear as to the deleting, rather catastrophic impact on the economies and consequently the social fabric of these islands. Secondly, he referenced the Soufriere Hills volcano eruption as a rude reminder of the terrible vulnerability of CARICIOM states. It is important that emphasis is placed on this point. One considers the recent tropical storm Erika in 2015 which claimed 32 lives on the island of Dominica - most deadly incident in the island's history since independence. The storm left the island devastated. Even as one

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84. Norman Girvan, *Economic Theory and Development Option for the Caribbean*, The Sir Arthur Lewis Memorial Lectures 1996-2005 (Reinterpreting the Caribbean Development). Produced by the Eastern Caribbean Central Bank, Ian Randle Publishers, Kingston, 2007.

conducts this study, the world watches nervously to see the damage that Hurricane Mathew unleashes on Jamaica, Haiti and Cuba. The writer certainly concurs with the assertion that the small islands economies' vulnerability is unsustainable. Girvan's third point is that the changed terms of the Lomé convention towards African Caribbean and Pacific (ACP) countries that ended the non-reciprocal trade preference required greater political and economic conditioning from beneficiary countries.

The fourth rationale that justifies the need for refining of nature of the Caribbean trading arrangements and operation is the repositioning within the hemispheric trade liberation. Girvan contends that the realities of MERCOSUR, the Southern Common Market (Brazil, Argentina, Uruguay, Paraguay and Venezuela) presents a clear indication to CARICOM the implications therein. There is a compelling need for CARICOM to act as a unit and to create trade agreements with the other grouping in the Latin American region. Girvan also made reference to the six nations of Central American Common Market (CACM): El Salvador, Guatemala, Honduras, Nicaragua, Costa Rica and Panama. To this end, the researcher agrees with Girvan and Dr. Eric Williams on the fundamental need for CARICOM to refine its nature and relations.

What are the practical structural reformation and development strategies that must be met? Girvan suggested three main areas:

1. "The dangers of economic marginalization and progressive weakening of bargaining power in hemispheric and global trade relations call for greater efforts on the part of Caribbean countries to stimulate intra-regional trade and to act as a cohesive force in external trade negotiations."<sup>85</sup> To this effect, Girvan contends strategic importance would strengthen OECS and the CARICOM Single Market and Economy; the removal of U.S. trade embargo on Cuba and

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85. Ibid., 32.

the inclusion of Cuba within the trading hemisphere of Caribbean countries;  
And direct negotiation between CACM and CARICOM.<sup>86</sup>

2. “Caribbean regionalism will need to take on a multilingual dimension.”<sup>87</sup> This is so because increasingly more tourist is likely to come from Spanish-speaking countries. This would require a competent Spanish speaking workforce within CARICOM in both government sector and tourist industry.
3. Tourism must be levered as the most dynamic export sector in the archipelago Caribbean. Tourism should be seen as a “resident export” whereby a large amount of food and services can be utilized at the hotels within the country instead of being exported overseas.

Lloyd Best argued a similar position as Norman Girvan and Eric Williams, but from a slightly different angle. In a lecture paper presented at the Fourth Sir Arthur Lewis Memorial Lecture held in Basseterre, St. Kitts, Best provided a time series over of the political economy of the Caribbean from the fifteen century to the present. In his analysis, Best alludes to the different development model including Import Sub-substitution Industrialization (ISI), to Export-growth, to Dependency, up to the current Washington consensus model. Best, similar to Girvan and Williams, acknowledged the changing nature of the global economy and the need for CARICOM to adjust its nature and operation. Best however, suggested that CARICOM must (1) deepen its core and (2) broaden its scope in terms of trade.<sup>88</sup> According to Best, the first responds has already been in motion. Therefore, deepening the core of CARICOM has been established through the establishment of the Single Market and Economy: “free trade, the common external tariff; fiscal harmonization; common conditions setting up and running business; integrated financial and capital market

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86. Ibid.

87. Ibid., 32-33.

88. Lloyd Best, *Economic Theory and Development Option for The Caribbean*, The Sir Arthur Lewis Memorial Lectures 1996-2005, (Basseterre, Saint Kitts and Nevis: Ian Randle Publishers, 2007).



and; joint machinery for external negotiations.”<sup>89</sup> The later strategy is paramount to this research. The writer contends, that CARICOM must start having the conversation about bargaining with foreign donors including IFI as a unit, and not as individual island states as it stands currently. Lloyd Best’s second suggestion was that of widening of the regional trade relations. Even so, Best made reference to former Prime Minister of Barbados Owen Arthur who alludes to this very point. Undoubtedly, Dr. Eric William, Lloyd Best and Owen Arthur are all in agreement that CARICOM must open its trading relations with its Latin American neighbors.

Dr. Eric St. Cyr considers the Nobel Laureate Sir. Author Lewis as the “real founder of what we call development economics.”<sup>90</sup> In his synopsis, Dr. Eric St. Cyr saw Lewis’s theme through the lens that the only way poor countries can improve is by raising productivity in agriculture and simultaneously expanding manufacturing.<sup>91</sup> However, Dr. Eric St. Cyr contends that Lewis model is a universal model which has two applications leading to different outcomes. Firstly, the model is closed model which suggests the development through export-oriented industries. Secondly, it is an open model that suggests improvement of food production in the home market. However, at divergent view with Lewis, Dr. Eric St. Cyr sees food production needing larger area of land. This is a comparative disadvantage that perhaps would benefit countries with larger arable estates. One has fathom the vast literature as it applies to CARICOM political economic development, yet still not fully satisfied; that is, what has been the results of

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89. Ibid.

90. Ibid.

91. Ibid., 47.

CARICOM states that have undergone IMF programs? Clearly, Girvan, Best, and Ramsaran present both divergent and convergent views on this issue. Yet none has, to one's satisfaction, explored CARICOM (as a unit) and its relationship with the International Monetary fund. Indeed, a plethora of scholars have commented on alternative options outside of, and in conjunction to the Washington Census model. The writer has mentioned several of the options in this chapter and undoubtedly will revisit in later chapters. The question that burns like fuel, the questions that inflames the desire to conduct this research is from what paradigm does the CARICOM government decide to undergo IMF programs? Ultimately, one seeks to clearly detail the nature of CARICOM and its relationship with the International Monetary Fund. The intention is to lay out clear and feasible options for sustainable development.

In summary, this chapter provided an exhaustive description of CARICOM. Then, the chapter discussed the impact that IMF has had on CARCIOM countries. Thereafter, the chapter discussed CARICOM's historical progression into the global arena. Subsequently, the chapter examines current challenges between CARICOM and the IMF. The chapter concludes with the relevance to Caribbean development. The next chapter examines the results of the data collection.

## CHAPTER VI

### RESEACH FINDINGS

Chapter VI presents the results of the data collected for this study through interview and survey. The chapter first describes the responses from the interviews in a detailed discussion lighting the main themes that were uncovered from the structured interview. Next, the chapter provides a description of the demographic data collected from the sample population such as gender, age range, job position, various beliefs on IMF role, and beliefs on contending economic paradigms. Finally, the chapter presents the perception of the CARICOM leaders, as it pertains to the economic paradigms undergirding their decision to use the IMF assistance in addressing the socioeconomic and political development issues of the region.

#### **Sample Description**

This study consisted of six cases. The anonymous study participants were assigned pseudonyms - Participant One, Participant Two, Participant Three, Participant Four, Participant Five, and Participant Six. All are members of various economic and governmental sectors and have extensive knowledge regarding the political economy of the region and the role of the IMF. The participants came from five different countries. Therefore, the sample represents the population. Participant One is a member of parliament in Dominica, who also serves as a senator on the opposition side of government. Participant Two is a political activist and financial consultant; whose

expertise lies heavily in the Caribbean political economy. Participant Three is a professor with experience in comparative politics, intergovernmental relations, local government, public administration and global issues, and international relations. Participant Four, is a professor and political activist, who serves as the official advisor of the current Parliamentary Representative for his district. Participant Five is an attorney, whose practice revolves around international law, business law, and issues concerning the Caribbean community. Lastly, Participant Six is a lecturer in the field of political science and has a background in international relations.

The interview questions addressed specifically the following question: What are perceptions of the CARICOM leaders and other stakeholders regarding IMF policies on the socioeconomic of CARICOM states, which have undergone the IMF's Structural Adjustments?

1. What do the CARICOM leadership and other stakeholders believe are the major reasons why they continue to rely on the financial assistance and intervention of the IMF?
2. Under which paradigm of development do these leaders and other stakeholders perceive their relationships with the IMF?
3. How do younger and older CARICOM citizens perceive the future growth of their countries, under the leadership of the IMF?

The interviews of these CARICOM leaders generated topics and themes as follows: (1) unique crafting of policies to meet CARICOM challenges; (2) rationale to undergo IMF programs; (3) elimination of inefficient use of resources; (4) ability to meet domestic and international payment obligations; (5) IMF policies' impact on CARICOM economic growth; and (6) most applicable economic paradigm to CARICOM.

Findings were reported and discussed in detail. Furthermore, to reflect the participants' self-expression, direct quotations were used. Where redundancy occurred, such text was omitted, and ellipses were used; however, no meanings were changed and/or distorted with the deletion of text. Lastly and where necessary, a vital quote seemed unclear, additional words were added and placed in brackets to provide context.

### **Unique Crafting of Policies to Meet Challenges**

IMF programs have a long history of uniquely crafting policies to meet challenges faced by their receptions. IMF policies are both generally applied and specifically tailored to meet the challenges of CARICOM countries at the local level. Regarding the broad application of the policies, all of the participants noted that the overwhelming majority of CARICOM countries have the same issues, so policy application can be administered in a broad context. Participant One said the following:

The policies are broad simply because the underlying issues are not so different within the countries, so that you have a broad policy description that would basically work in the advantage of the country... To some extent, the policy prescriptions are conducive or can be taken on board by all of CARICOM, because typically the IMF intervenes in a situation where the country is either experiencing some issues with the balance of payments, unable to raise sufficient export of goods and services, or it could be on the fiscal side, where spending is out of whack, and the government needs to control spending. The prescriptions that can be put forth for those are really something that all countries can adopt, as was in the case of Dominica; the country has this issue where the government cannot meet its payment, then you would have that situation.<sup>1</sup>

Participant One also highlighted another example in which the policies are administered within a broad spectrum, due to a lack of resources.

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1. Interview by author, Dion George, Atlanta, GA, April 04, 2017.

We have a similar situation developing in Barbados, for example, where the currency is under severe pressure right now. The government has not been able to get the level of incomes, and you have a fiscal problem where very soon you'll have issues paying public workers. About two or three years ago in Barbados, the government on the advisory angle sent home several thousand employees, public workers, and that's another example, where if the problem is too much spending on the side of the government, you are to cut down the side of the government. Barbados [needed to] reduce the size of the public servants, but it looks like that problem is resurfacing again because they do not have the level of resources that they used to have. While the policies are administered on a broad level, they are also administered within a specific context.<sup>2</sup>

Participant Three stated that policy application can be uniquely crafted for development purposes: "If we want to look at economy and development, we need to be more specific. So the policies tied to IMF assistance – [where] IMF [is] trying to help the economy of CARICOM – to me, has been broad, but I expect it to be more specific in development. Development should be specific."<sup>3</sup>

Participant One drew on distant and recent examples. To the former, he stated the following to illustrate this point: "We'd have to go back to the 1990, 1991 during the administration of Eugenia Charles, where the government took on the advice that was given by the IMF with regard to some structural adjustments that needed to take place in the economy, and I think in that particular instance, it was tailored towards the country."<sup>4</sup>

Noting a recent example, Participant One stated the following:

Historically, there have been attempts...to use the policies the IMF prescribed towards local circumstance. The most recent example of this was when in 2003, there was a stabilization program in Dominica, where the IMF advised and moved ahead with the idea of imposing a stabilization levy on the country; as part of that, public servants were asked to take a 5% pay cut. Amidst much public concern and so on, it was agreed on, and

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2. Ibid.

3. Interview by author, Dion George, Atlanta, GA, October 12, 2017.

4. Interview by author, Dion George, Atlanta, GA, April 4, 2017.

the country was able to actually go through that process, so in that particular instance, the policy was suited because part of the issue was the very high spending and the inability of government to meet its obligations to the public workers. So after much discussion and explanation by then Prime Minister Pierre Charles, it was agreed that the country would go on that route and take on a reduction in salary stabilization, and then after the country recovered, then that money would be paid back. That is one example that we have in very recent past where the policy prescription actually made sense to the country.<sup>5</sup>

Participant One also noted that the policy administration may yield the best results when it is country-oriented. In such cases, the action that would most benefit the country is taken, rather than automatically applying a standard practice.

The question is what becomes best for the country? In the case of Dominica, it would not make sense to reduce the size of the work force because it is already small; it would make more sense to make everybody to take what we call a haircut, to give everybody a reduction in salary. In the case of Barbados, where you have a very bloated public sector, it makes sense to reduce the numbers, but the result is the same; you cut back on government spending.<sup>6</sup>

Particularly, when policies are specific to the needs of the country, the country is likely to benefit. Participant One stated, "...For the most part, the policies that government undertakes with the advice of the IMF really have a local element to it, and very often the country benefits as we see. The success of those policies depends upon whether or not it is well-tailored or well-suited to the needs of the country."<sup>7</sup>

### **Rationale to Undergo IMF Programs**

Constraints and a lack of other alternatives often underlie a country's rationale to use IMF programs. Participant Two observed that, "Most of the time we have good

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5. Ibid.

6. Ibid.

7. Ibid.

products, but in terms of the restrictions which the first world demands that we meet, we cannot meet those stringent standards.”<sup>8</sup> Countries, typically, utilize the IMF programs as a last resort, and there is often reluctance to do so. Participant Four stated, “The country was losing revenue and the economy was under some stress, so government had to deal with the loss of revenue. Government needed help and had to resort to adopt the IMF program.”<sup>9</sup> Participant One concurred, stating the following:

Typically, in the case of Dominica and several Caribbean countries, it always happens where the country has no alternative. No government, for example, likes to tell the country that they are going to reduce wages or they’re going to send people home or they have to undergo other structural measures... It’s a constraint. No country does it willingly. Very often, it’s when a country is in dire straits, and we often say that they take on the very bitter medicine because they feel they have no choice.<sup>10</sup>

Participant Five also agreed and further noted that countries may reap short-term benefits but no long-term gain to experience independence from the IMF. He stated,

Well, most times, the countries don’t have a choice... And if they go to the IMF to borrow any funds, they are automatically imposed with conditions. And those conditions usually may lead to short term performance where they can maybe increase their surplus for that period, and help pay their debt, but not in any sort of long term benefit to the country that prevent it from having to go to the IMF.<sup>11</sup>

Another reason countries undergo IMF programs pertains to achieving development.

However, that result is not always apparent, as noted by Participant Three who observed,

We expect that the criteria or rationale behind this loan should be that the country... or community should have developmental efforts, have economic programs like the infrastructure, you know, working on the roads, you know, working on the

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8. Interview by author, Dion George, Atlanta, GA, October 14, 2017

9. Interview by author, Dion George, Atlanta, GA, October 14, 2017.

10. Interview by author, Dion George, Atlanta, GA, April 4, 2017.

11. Interview by author, Dion George, Atlanta, GA, October 17, 2017.



power supply of electricity, but these things are not there. So the rationale behind it, yes, government [is] making, but they are not geared towards infrastructural development, and that is why the country is at a low level of development. So the rationale, yes, we're not seeing it. The rationale no doubt, but they have not been translated to developing the people. We don't have good schools. We don't have good infrastructure. We don't have good roads, good hospitals. They are all in poor states...Such rationale has not been translated to the development of the countries. I must say that there should be a reinventing of other rationale that would be people-centered, that would, you know, make people feel that they have good government, and the government has their interest at heart.<sup>12</sup>

Participant Six, offering a divergent perspective, contextualized the rationale to undergo IMF programs within the power dynamics of the leaders of the region. He stated,

I always tell people, this is the policy that I will regard as second colonialism. Why do I say second colonialism? When you want to get into an agreement with a country or a government, you first of all look at a government in power. Is it a government that the policy favors the people? Is it a government that is concerned with the welfare of the people? Now, when they (government) want to give this money, they just see it as an opportunity to amass wealth for themselves. And you find out that the moment this money comes into the country, the government in power will never judiciously use it for the programs it is meant for...and that has been all the countries. I will not mention other countries but the few countries that, in the Caribbean that has collected this loan, even Africa, all feel the same challenge...I tell you it is a total form of colonialism.<sup>13</sup>

Despite the reluctance to undergo IMF programs, many countries are able to reap additional benefits, including access to more resources. Participant One said,

In terms of timing, typically, that has been the case of Dominica, when it happened with Eugenia Charles in the 1990s and of the labor party in 2003, it was a case of where they had no other choice. Because by taking on the IMF program, it opened up more financing and they could then access. And with that financing, they were able to do other things...if they don't take on the program, they will not have as much access to other resources. And so by taking on the program, that opens up the avenue of getting additional resources from donors, as well as probably from the World Bank.<sup>14</sup>

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12. Interview by author, Dion George, Atlanta, GA, October 12, 2017.

13. Interview by author, Dion George, Atlanta, GA, November 9,, 2017.

14. Interview by author, Dion George, Atlanta, GA, April 4, 2017.

### **Elimination of Inefficient Use of Resources**

The main purpose of the IMF program is to increase the efficient use of resources and services, ultimately implementing measures that eliminate inefficient use of resources while allowing more viable financial conditions of the country. To achieve this, some governmental measures often involve reduction of disposable income, reduction of the size of the public sector, or other areas of perceived waste. Participant One drew upon the following illustration to explain this goal by stating,

We saw it happen in Jamaica, Barbados where it was a question of having a bloated public service. They wanted to reduce the size, improve the efficiency. A typical measure might be in some cases where they have to cut back on transfers. If it's a case where a lot of services are being devoted to the welfare state or social services, then you might want to reduce that.<sup>15</sup>

This perspective regarding the impact of IMF programs on reducing inefficient use of resources was generally common in that these social programs were effective in this regard; however, participants offered varying perspectives on the outcomes of this goal. One participant viewed IMF programs to have a tremendous impact on the inefficient use of resources, but regarding salaries for public servants, industriousness becomes impeded by frugality and lack of incentives. Participant Two explained this dynamic in the following manner:

One, you start off by freezing the salaries of public servants. I mean, after all, we start off already with salaries that are already meager. You don't have that disposable income to take your family on a trip to enjoy the amenities of your labor, where you could take your family to a restaurant. You are working hard, but there [are] no rewards, so then there [are] no incentives for a man to get up every day to come to work because he knows – at the end of the day, you freeze his salary for three years or for five years. Where is the incentive to work?<sup>16</sup>

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15. Ibid.

16. Interview by author, Dion George, Atlanta, GA, October 14, 2017.

The political nature of government also impacts the policy measures taken. Participant One stated,

Governments typically are known to be in political nature because of the cycle – because of the 5-year cycle – governments typically operate with that in mind. So they will take policy measures that would appear to the public to be broadening; so, a typical example, they will take a policy that will appear to be employing more workers as again sending more workers home, expanding the so-called safety net, as again, reducing the safety net, taking on more infrastructure projects and so on because they want to be seen to be doing something. Especially during an election cycle, you will find government racking up their spending rapidly. Typically, that's not a good thing in the long run, but politically, it's a means to an end.<sup>17</sup>

The disciplinary action taken by the IMF toward government is usually unpopular.

Participant One continued by stating,

So the IMF program usually requires some kind of discipline on the side of government, and it normally has to do with taking all those measures, and that's usually not popular. And that's one of the reasons why I believe that the IMF had been blamed a lot of times, because by the time the government takes on those policy measures, it's because they have no other alternative and they have to take on drastic measures.<sup>18</sup>

Participant One likened this situation to the delay in receiving treatment for a terminal illness:

It's like somebody that has cancer. If you catch a cancer early, you probably have to do just a slight dose of chemotherapy; if you wait until it is in the final stage, you probably almost have to kill the person to try to cure them. It's a similar thing; if the country does not take the measures early enough – and a lot of times they don't take the measures early because those measures interfere with their election cycle – but if they have no choice, because things are deteriorating, that's the time they actually go on and do it. And those instances, you can experience some efficiency gains, and so on, but for the most part, by the time those measures are taken, it is probably too late.<sup>19</sup>

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17. Interview by author, Dion George, Atlanta, GA, April 4, 2017.

18. Ibid.

19. Interview by author, Dion George, Atlanta, GA, April 4, 2017.

Participant Three differed in his assessment of the actual achievement of the goal of using resources efficiently also noting the significant impact the role of government has on the resource efficiency. He stated the following:

Measures put into place to eliminate inefficient use of resources have not been that achievable, and I don't see them becoming achievable. The reason being [is] that IMF does not really have an understanding about the plight of the people, the plight of the countries, and I see no reason why IMF can better have programs that would help to eliminate inefficient use of resources, because once they give out this loan, the powers that be, the government, use the money the way the IMF please... Whoever pays the piper dictates the tune, so what I see IMF doing is trying to dictate the tune, all right? And then my country is now running by their rules because they are paying – the government are paying the people, so they try to one, work in tandem with IMF just to ensure that they start the relationship, and, two, those policies that have been crafted, they are politicized to favor IMF and the so-called power, at the expense of the people. So to a larger extent I must submit that the level of improvement and financial structure of the country's economy as not being that good, you know, because they have together not been able to put the interest of the people at heart. Economic development must be people-driven. Now I have not been able to see that, so to that extent we will continue to have inefficient use of resources, you know, and that will continue except we have a people-centered program.<sup>20</sup>

### **Ability to Meet Domestic and International Payment Obligations**

The ability to pay civil servants and meet payment obligations both domestically and internationally remains an ongoing problem, in general. Participant Four was the only one to state that his country does not have such difficulties: “So far the country does not have a problem to meet its obligation [of] civil servant salary, and I think generally they are meeting, if not all, but most of the obligation, domestically and internationally.”<sup>21</sup>

The other participants disagreed. For many other CARICOM countries, government states that it does not have the resources, and even if they did, they would struggle to have sustainability because of the amount of money. Government has been advised to either

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20. Interview by author, Dion Georgia, October 12, 2017

21. Interview by author, Dion George, Atlanta, GA, October 14, 2017.

save money or use it on projects that can generate some type of income. Participant One discussed this concern in the following manner:

In the case of Dominica, there's an ongoing problem. The government of Dominica has had in place an effective wage freeze for the last three years. Basically, unable to pay salary increases and even now, with the demands by the public service union, which is the body representing the public servants, they are saying that they are not able to meet those increases. The government would have to get an additional \$4 million every month to pay if they were to meet those increases. So what they have offered is a wage freeze, basically telling the public servants, we cannot pay for the past, basically for the last three years, the past two years plus this year under review. Now somebody could argue that this is not in keeping with the notion that there are other revenues from the sale of passports, but the reason why you cannot use the passport revenue to pay public servants is because this is not sustainable. So the government is in a very difficult position right now, simply because the tax base has been eroded so bad. The level of taxes is down, the level of trade Dominica has a value-added tax, and that depends very much on the level of commercial activity – the level of trade that takes place in the country. And because of that, they have not been able to grow, to increase wages and stuff like that, and...they have not been able to offer wage increases.

If the country is unable to pay civil servants and meet payment obligations both domestically and internationally, they have little alternatives outside of the IMF they have to submit to the decision to use the fund in spite of the constraint of the bank's policy. To get more funding, whether it's to get additional grant financing or to get more access to loan financing, there has be in place an IMF program.<sup>22</sup>

He elaborated that,

The important thing to note is that a lot of reasons why countries in difficulty go to the IMF is because that is used as a signaling device to other donors and the World Bank that it is okay to give their resources to government. The reason for that is very simple; with an IMF program, the IMF shows that there are certain conditions in place, certain measures that the country has to undertake; so once the country has agreed to take on certain measures, then that opens up the way for additional funding.<sup>23</sup>

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22. Interview by author, Dion George, Atlanta, GA, April 4, 2017.

23. Ibid.

To combat the inability to meet payment obligations, one participant considered the conditions under which the country received the loan. Participant Six observed that planning is essential for financial security, and yet many countries do not adequately plan: “You find out that most of these countries – these Third World countries – they didn’t even have a plan at first...towards what they want to use the fund for.”<sup>24</sup> He reasoned that a lack of planning contributes to financial instability. Furthermore, if the country was unable to financially sustain itself in the beginning, how could it be expected to repay on a loan? He said, “You are giving him resources, someone that has not been able to manage their resources in his own country. So how do you think [he will use] the money you are giving him, he will embezzle it also.”<sup>25</sup> To remedy this problem, he proposed the following strategy: “I think the best option is if International Monetary Fund can subdue, I mean, to release on the conditions. The condition attached to the loan is not something most of Third World country can meet up with.”<sup>26</sup>

### **IMF Policies’ Impact on CARICOM’s Economic Growth**

Participants viewed “growth” from various lenses including poverty status, business sectors, GDP and fiscal concerns, and public servant compensation. From all lenses, there was total consensus that the IMF policies have not worked favorably for CARICOM economic growth. Participant Two emphatically expressed his disagreement with the contention that any CARICOM country has benefitted from IMF intervention. He stated,

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24. Interview by author, Dion George, Atlanta, GA, November 9, 2017.

25. Ibid.

26. Ibid.

No, I don't think it is. I'll give many examples—Guyana, Jamaica, Grenada—where it hasn't worked. And even internationally I've never read or saw [in] any way, [in] any part of the world where the IMF has come in and made the economy better. It has not. So unless I see a tangible benefit where the IMF has prescribed that medication to fix the economy and it worked – what the IMF has done is use the prescription and then the symptom is greater than healing the economy...Because it's done little to help public servants. Its policies have led a situation where some businesses have closed and industry has died. You look, for example, Guyana and Jamaica right here in CARICOM, literally killed our industry. So, I've never read or seen any part of the world – not just IMF within the Caribbean – but any international country where the IMF prescription led to better fiscal policies, or have led to good in any of those developed and developing economies. I have yet to see that.<sup>27</sup>

Through a business sector lens, Participant Five offered the following comment:

I cannot say, you know, what has happened...So, the IMF usually followed an ideological imperative that favors private enterprise and favors less government and more private sector activity. That, in and of itself, is inherently bad. I do believe that a strong private sector is important to any modern economy, because I think the private sector generally is the area of the economy where you see more innovation, where you see greater focus on sound fiscal management, and sometimes the public sector is subject to political dementia that doesn't always result in the most efficient use of resources. Nonetheless, I have not seen a sort of sustainable model that IMF intervention has left behind. Pretty much every single Caribbean Island where the IMF has been involved, the structural deformities that exist, even from the colonial era, still remain.<sup>28</sup>

Participant Three saw an upward trajectory from poverty as reflective of

“growth.” He stated,

Well, my view basically will be that to a large extent people in the CARICOM community are still suffering. They're still wallowing in active poverty. There are no good housing facilities for...citizens of CARICOM. So to a large extent, I am not seeing – I do not know that IMF policies, you know, has actually been able to fulfill that in a favorable condition, to ensure growth in the economy of a CARICOM country. So my solution will be that, yes, IMF have extended financial gestures to CARICOM communities to ensure economy growth, however, such financial assistance has not translated to economic growth.<sup>29</sup>

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27. Interview by author, Dion George, Atlanta, GA, October 14, 2017.

28. Interview by author, Dion George, Atlanta, GA, October 17, 2017.

29. Interview by author, Dion George, Atlanta, GA, October 12, 2017.

Two participants concurred regarding the benefit that IMF programs do offer, as it pertains to any form of economic growth. Both Participants Four and Participant One stated that IMF programs do not promote growth as much as it is stated but attempt to offer stabilization. The IMF is not directly impacting growth; but it offers stabilization programs; though outcomes are not related to growth. Participant Four said, “Well, I don’t know if it has worked favorable for economic growth, but I know what it does is it stabilizes more than it promotes economic growth. What it does, I think the IMF is a good institution for countries that are in crisis – so the IMF can stabilize things.”<sup>30</sup>

Participant One viewed “growth” from the lens of increased GDP or fiscal concerns and more expenditure spending.

Where there might be growth, it does not occur in the same period, but rather it will most likely be a three or four-year lag. To growth, maybe not, and the reason for that, in the cases I can recall where the IMF program has been in place, typically, has been to address fiscal issues. And if that is the case, you will not necessarily have a big impact upon the growth part of it. In other words, I can’t think of a case where you had an IMF program that was geared toward increasing export sales or increasing the productive base. There’s a question of government trying to constrain government spending; that, by extension, could have a negative impact on growth because you know that it is expansionary government spending that can generate growth. If government spending is contracted, that could also contract growth; if it does translate to growth, it will most likely do so with some type of lag.<sup>31</sup>

### **Perception Regarding Economic Paradigm Used in CARICOM**

Most of the CARICOM are dependent states because they rely so heavily on forces outside their control, and outside of the region. This is because many of the countries

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30. Interview by author, Dion George, Atlanta, GA, October 14, 2017.

31. Interview by author, Dion George, Atlanta, GA, April 4, 2017.



have very small economies and because they simply do not have abundant resources or a well-developed capital market. All of them have a nascent, or infant type stock market structures that is in the process of being developed, but certainly not enough to provide any kind of financing to businesses. Additionally, some countries have very little self-generating impetus, wherein they depend heavily on foreign loans, foreign grants, and foreign import of goods and services into the country. And countries that have one raw material are worse off. Dependency in this case is both internal and external resources which oftentimes intersects, and increases the status of dependency on other countries.

Participant One reported this contention by stating,

Most Caribbean regions depend very largely on a monocrop, some agriculture crop, or tourism, and tourism in itself can be viewed as some type of monosector; they rely so heavily on forces outside its control, outside of the region. A lot of Caribbean economies that depend upon tourism, they depend upon a healthy economy in the United Kingdom or the United States, to the extent that when we had the financial crisis in 2008, we saw almost immediately the negative impact it had on Caribbean economies. In fact, that was one of the reasons why Barbados had some of those issues because [when] economies of the U.S. and Europe crashed to some extent in 2008-2009 due to the financial crisis, [this] immediately resulted in less tourism visitors to those islands, and that had a negative impact on them.<sup>32</sup>

Countries that are excluded and are self-sufficient, including Jamaica and Trinidad, a natural exporter of goods and services, are also dependent; however, this cannot be said for the majority of Caribbean countries, who rely heavily on external forces. Participant One noted the contrast between the two types of countries, further expounding upon this consideration by remarking,

Dependency occurred in that not only on the inner flows that they get, but also a dependency on loan financing, grants. All of that usually comes from outside. So, for example, you have economies where you could have almost exclusive development from within, in that the private, capitalist sector can finance projects, major projects,

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32. Ibid.

like the building of roads or the building of infrastructure like airports and so on. This can be undertaken by the private sector because the private sector has the means. The local banks can provide the financing. That's not the case for a lot of the Caribbean countries. Any major infrastructure project has to be financed from outside.<sup>33</sup>

Two participants spoke on some CARICOM countries' unique position of having blended economies – being capitalist and socialist. Participant Two stated, “We are more or less like what John Maynard Keynes would admit call them because we have industries owned and controlled by government, and we have industries owned and controlled by the private sector, which makes us unique in that respect. We have the best of both worlds.”<sup>34</sup>

Participant Five conceived of blending and utilizing the best of those particular paradigms to strengthen the economy:

Not one that is totally capitalist or one that is totally socialist, but one that brings forth the best attributes of both systems. ...So if it can retain the positives of socialized medicine, socialized education, and social solidarity, but at the same time, potential for the individual to craft create industry. When I say create industry, I mean art, I mean music, I mean entertainment at large, I mean IT technology. If we can have a sort of a Caribbean economy that models the best of the Cuban revolution, models the best of that which happens in sort of the social democracies of Barbados, and Jamaica, and Trinidad, I think we can also live a better life...[Right now] we are still colonial appendages.<sup>35</sup>

In conclusion, IMF policies are uniquely crafted to suit the specific countries' needs, at the same time having broad applicability, as many of the CARICOM countries have the same underlying economic issues. These countries tend to undergo IMF programs out of a sheer need and are often reluctant to do so, and they have no alternative. Yet, doing so provides access to additional funding and other resources that would likely have been

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33. Ibid.

34. Interview by author, Dion George, Atlanta, GA, October 14, 2017.

35. Interview by author, Dion George, Atlanta, GA, October 17, 2017.

otherwise unavailable. While the intent of the IMF programs is to eliminate inefficient use of resources, sometimes government spending can be impacted by its political nature and yield unintended consequences, especially considering that it struggles to meet domestic and international payment obligations. And though IMF programs do contribute to stabilization programs, they do not directly contribute to economic growth. In fact many areas within the economy still experience considerable suffering and lack. Finally, to best understand the economic mobility of CARICOM countries, the respondent concluded that it is useful to view CARICOM within the context of the dependency paradigm, as most of the countries rely heavily on the internal (monosector) and external (international) resources for stability. For few CARICOM countries, a blend of capitalism and socialism is practiced.

### **Results of Findings**

This study examined the economic paradigms undergirding CARICOM leaders' decision to use the International Monetary Fund in addressing the socioeconomic and political development of the region. The sample consisted of 49 participants. The survey was sent to all CARICOM countries; however, 9 countries actually responded. Out of the 9 countries there were 49 respondents. There were 28 (57%) females in the study and 21 (43%) males (see Figure 1). The figure shows information in relation to survey question one. The sample consisted of 49 participants. There were 28 (57%) females in the study and 21 (43%) males.

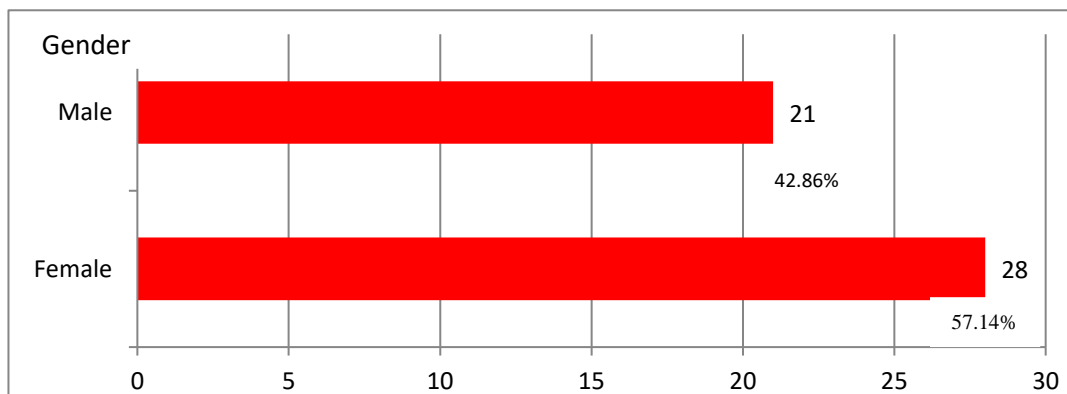


Figure 1. Gender of survey participants

Most participants in the study were between 15 and 20 years old (51%,  $n=25$ ), followed by people between the ages of 21 and 39 years old (33%,  $n=16$ ) (see Figure 2). The figure shows information in relation to survey question two. Most participants in the study were between 15 and 20 years old (51%,  $n=25$ ), followed by people between the ages of 21 and 39 years old (33%,  $n=16$ ). About 54% ( $n=26$ ) of participants identified as having a position outside of head of government (2%,  $n=1$ ), government minister (2%,  $n=1$ ), opposition member (15%,  $n=7$ ), or a business owner (27%,  $n=13$ ) (see Figure 3). The figure shows information in relation to survey question three.

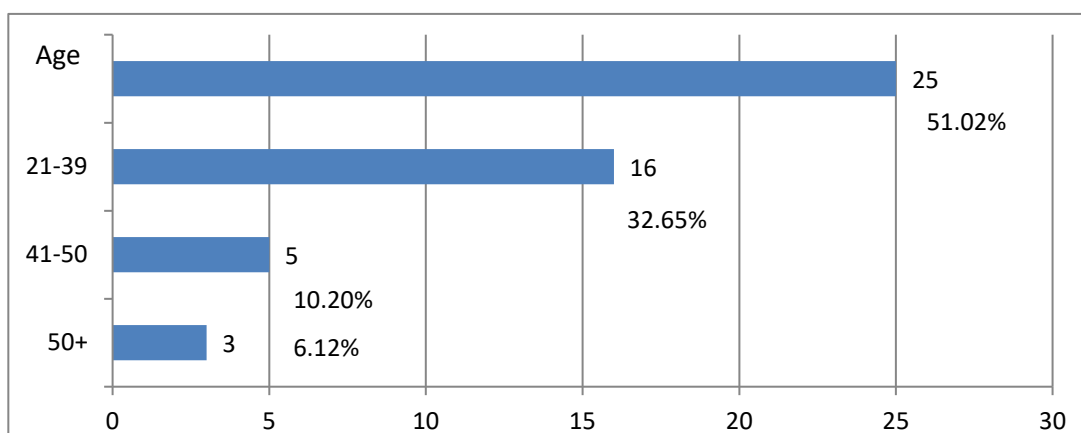


Figure 2. Age of participants surveyed

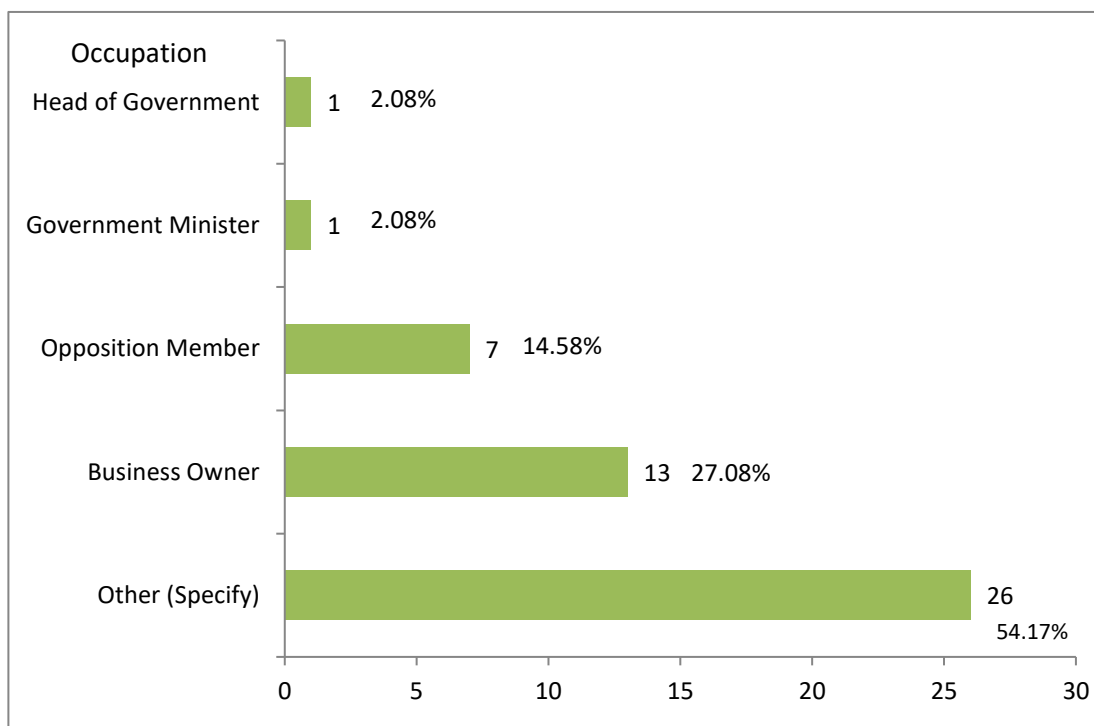


Figure 3: Occupation of participant surveyed

Of the participants, 26% ( $n=12$ ) believed that policies are broad and are applicable to all CARICOM states, 37% of study participants ( $n=17$ ) believed that policies are either uniquely crafted to address the region's local challenges or that policies are neither uniquely crafted to address the region's local challenges nor are they applicable to CARICOM states. Next, regarding participants' beliefs on their countries' rationale to undergo IMF programs, 52% ( $n=25$ ) responded that they believe the main goal of the IMF is to implement measures that eliminate inefficient use of resources and allow more viable sustained financial condition of the country to improve the overall financial structure of the country's economy. Forty-two percent ( $n=20$ ), however, believed that the rationale was because the country could not pay civil servants or meet payment obligations both domestically and internationally;

therefore, the country had little alternative outside of the IMF and so had to subdue to the decision to use the fund in spite of the constraint of the bank's policy. Three (6%) remaining participants believed some other reason undergirded their country's rationale to use IMF programs. Most participants believed that IMF policies have worked somewhat favorably to foster that of CARICOM economies (67%,  $n=32$ ), while 11 (23%) participants do not believe that the policies have been favorable; a remaining 10% ( $n=5$ ) believed that the policies have worked strongly favorable to the growth of the economy.

Of particular interest, most participants were not familiar with the contending economic paradigms on development (48%,  $n=23$ ), and though 40% ( $n=19$ ) were slightly familiar, only 6 participants (12%) were strongly familiar with economic development paradigms. Approximately 34% ( $n=16$ ) of participants were mostly familiar with the dependency theory and the basic needs paradigm (32%,  $n=15$ ), while only one (2%) participant was most familiar with the Maoist paradigm. Most participants believed the basic needs paradigm was most appropriate to their country (37%,  $n=18$ ), followed by the paradigm of expanding capitalist nucleus (27%,  $n=13$ ), the dependency paradigm (18%,  $n=9$ ), the structuralist paradigm (14%,  $n=7$ ), and lastly, the neo-Marxist (2%,  $n=1$ ) and the Maoist paradigms (2%,  $n=1$ ). Despite the fact that most participants believed the basic needs paradigm was most appropriate to their country, most participants believe that the dependency theory is most currently administered (33%,  $n=16$ ), followed by the paradigm of expanding capitalist nucleus (29%,  $n=14$ ). The basic needs paradigm was the third most popular paradigm

(16%,  $n=8$ ). Like the perception, the Maoist paradigm is least popular of all the paradigms at zero percent ( $n=0$ ). While the same amount of participants believed that the basic needs paradigm was most appropriate to CARICOM (27%,  $n=13$ ) as they believed it was to their country, the same number of participants also believed that the structuralist paradigm was most appropriate to CARICOM. Dependency theory (24%,  $n=12$ ) followed, and the Maoist paradigm (4%,  $n=2$ ) was the least perceived most appropriate paradigm to CARICOM, similar to its perceived appropriateness to the participants' countries.

The quantitative analysis addresses questions two directly. As it were, the research questions were addressed.

RQ1. What do the CARICOM leadership and other stakeholders believe are the major reasons why they continue to rely on the financial assistance and intervention of the IMF?

RQ2. Under which paradigm of development do these leaders and other stakeholders perceive their relationships with the IMF?

RQ3. How do younger and older CARICOM citizens perceive the future growth of their countries, under the leadership of the IMF?

Descriptive statistics were conducted to determine from what economic paradigm CARICOM leaders do and other stakeholders perceive their relationship with the International Monetary Fund. The majority of participants believed that the prevailing economic paradigm used in CARICOM was the dependency theory (33%,  $n=16$ ). The basic needs paradigm followed (23%,  $n=11$ ). The structuralist paradigm, the paradigm of expanding capitalist nucleus, and the Maoist

paradigm were all similarly represented by approximately six participants each (12%), while the neo-Marxist paradigm was viewed least as a prevailing economic paradigm (8%,  $n=4$ ). Figure 4 displays these results in a bar graph.

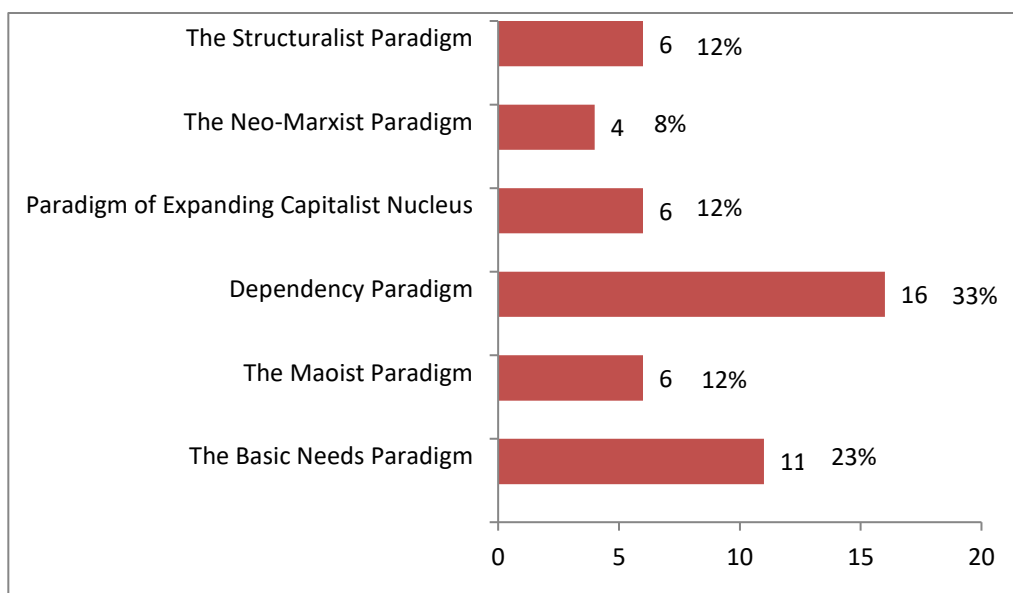


Figure 4. Economic paradigms used in CARCIOM

### Interpretation of the Paradigm Results

According to Figure 4, when asked which economic paradigm that they believe their country operates under, in its relationship with the IMF, the majority of respondents stated its dependency. That is 33% of all respondent agreed that their country is unable sustain itself independently, and as a result it relies on some other entity. In that case it is the IMF that they relied on. Again, the basic argument of dependency theory is the view that resources flow from the “periphery” or poor and underdeveloped countries to the “core” or rich and developed countries. As discussed, several of the authors including Henry Cardoso and Kari Levitt contends that the nature of the relationship has changed



but the direction of the flow of resources from the periphery to the core is still an eminent reality. Kari Levitt for example, contends that the flow of resources is no longer raw materials from the periphery because the world system has changed. However, she asserts that through oppressive, and debt ridden financial trade relations, the global North continues to extract from the global South. It stands to reason therefore, the results on this paradigm question are in sync with the plethora of heavily indebted poor countries in the Caribbean region.

On the same paradigm question, the result came in and the basic needs theory was the second choice of the respondent. Twenty three percent of the respondents thought that the relationship on which their country and the IMF operates is more aligned the basic needs theory. Proponents of the basic needs theory believe everyone in a population deserves nourishment, clean water, housing, sanitation, transportation, education, and healthcare. The basic need approach emphasizes a concentration first what is required to develop productive taxpaying citizen, instead of military, or terrorism. It also contends that some neo liberal adjustments are healthy for the economy. However, its main theme is the basic needs of food clothing and shelter must be part of the development agenda.

The structural, the Maoist and the expanding capitalist nucleus all come in third place. Both of them have a score of about twelve percent. The results showed the neo-Marxist came in last place with a mere 8%. In sum, the results suggest strongly that most persons agreed that the relationship between their country and the IMF operates under the dependency theory.

Figure 5 shows the most used economic paradigms in CARICOM.

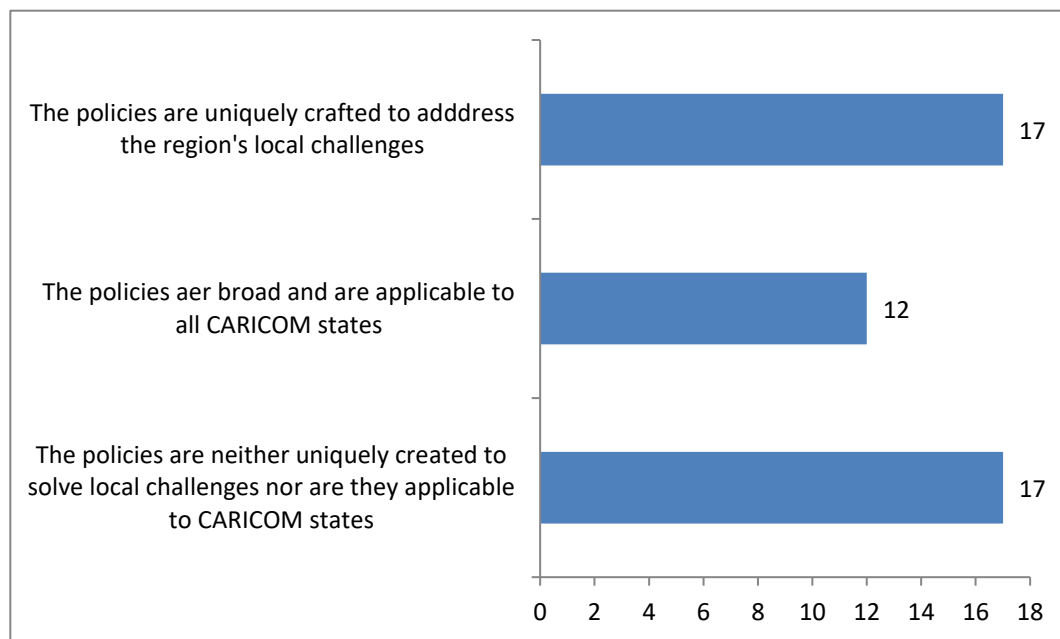


Figure 5. Most used economic paradigms in CARICOM

Figure 5 is a display of results in relation to survey question twelve. While 26% ( $n=12$ ) of participants believed that policies are broad and are applicable to all CARICOM states, 37% of study participants ( $n=17$ ) believed that policies are either uniquely crafted to address the region's local challenges or that policies are neither uniquely crafted to address the region's local challenges nor are they applicable to CARICOM states.

Figure 6 shows a display of results in relation to survey question six. Regarding participants' beliefs on their countries' rationale to undergo IMF programs, 52% ( $n=25$ ) answered that they believe the main goal is to implement measures that eliminate inefficient use of resources and allow more viable sustained financial condition of the country; this would result in the improvement of the overall financial structure of the country's economy.

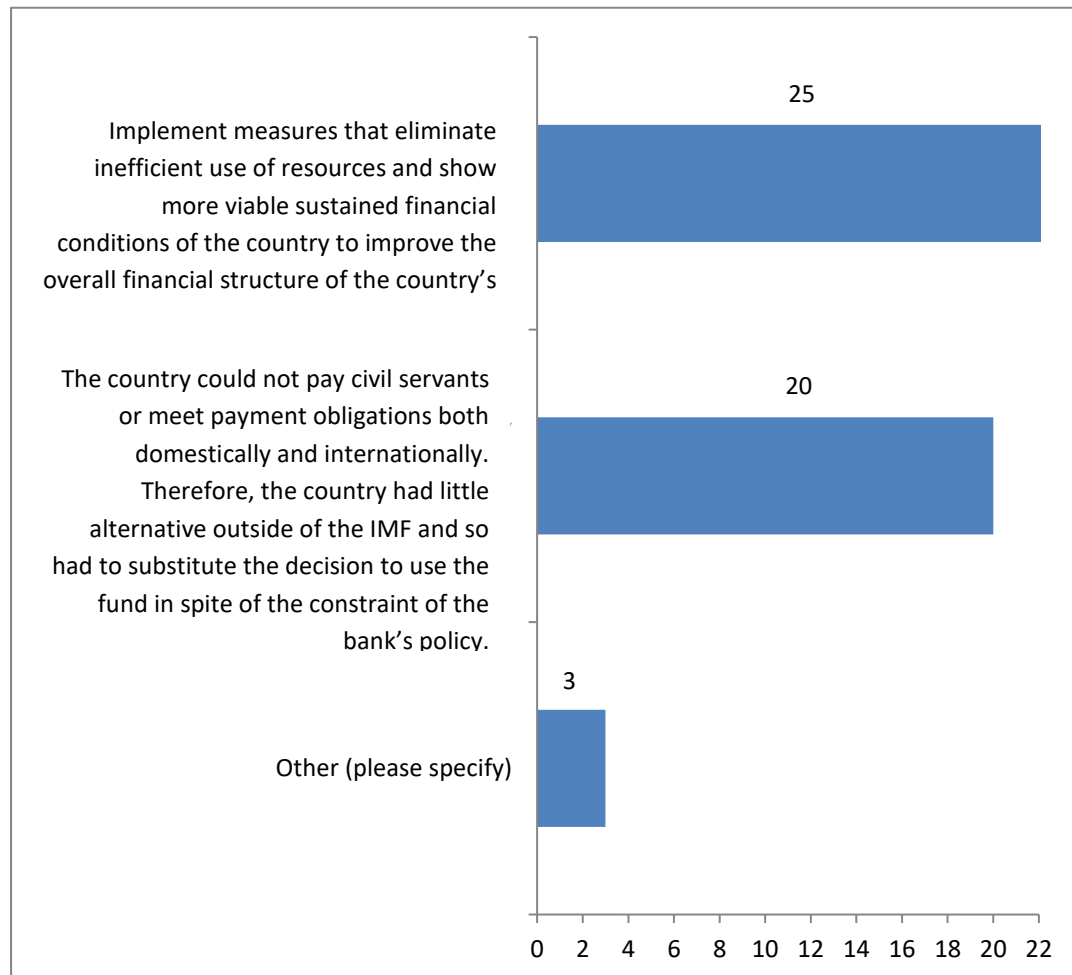


Figure 6. Participants' beliefs on their countries' rationale to undergo IMF programs

Forty-two percent ( $n=20$ ), however, believed that the rationale was because the country could not pay civil servants or meet payment obligations both domestically and internationally; therefore, the country had little alternative outside of the IMF and so had to subdue to the decision to use the fund in spite of the constraint of the bank's policy. Three (6%) remaining participants believed some other reason undergirded their country's rationale to use IMF programs.

The finding indicates a sharp difference in the perception of how younger people view the success of IMF programs compared to older citizen. According to the results, it is safe to conclude that there is an inverse relation on the perception of how citizen think of their region's performance under the IMF programs. Whereas younger citizens have hope and consider the programs to be working favorable (over 74%); the older citizens seems to think the opposite. A stunning 75% of the older generation perceived the IMG programs as being not favorable. It can be rationale to conclude that the younger persons have been exposed to the socioeconomics of today's society. Perhaps the last two decades as a reference point. On the other hand, the older folks have approximately 4 decades to compare and contrast. Undoubtedly, the perception is of the older citizens suggested that the socioeconomics prior to the implementation of the IMF programs were better. Admittedly, the results presented here is an indication that further exploration of this phenomenon is warranted.

### **Summary**

This chapter analyzed the results of the data collected for this study. The chapter first described the qualitative study sample characteristics, followed by the result of the thematic analysis for the research question. Next, the chapter provided a description of the sample characteristics from the quantitative portion of the study and concluded with the result of the quantitative research question. The next chapter looks at conclusions and recommendations.

## CHAPTER VII

### CONCLUSIONS AND RECOMMENDATIONS

In this section, the writer considered what the realities are in reference to the research problem and presents and discusses the results. Secondly and perhaps more salient, this section depicts pragmatic recommendations based on the results of this investigation. Thirdly, one considers the implication of this study.

The study set out to inquire about a rationale that explained the decision of the CARICOM leadership and the major reason they continue to rely on the financial assistance and intervention of the IMF, even though its policies have been known to hurt these countries. A major reason that came out of the study is the issue of constraint. Constraints and a lack of other alternatives often underlie a country's rationale to use IMF programs. Even so, the study suggests that the problem with the countries is not necessarily, production or the lack thereof. In fact, most of the countries can produce, particularly in the agricultural sector. However, the demands set by the global North are too stringent. CARICOM countries cannot meet these stringent standards.

Another common theme that seemed to resonate from this study was the lack of viable alternatives. Most of these governments have little cash flows and weak revenue streams. In order to access financial help, these countries are left with little options outside of accepting the IMF's conditions. Conversely, this explains why most of the countries go to the fund almost as remedy of last resort. Unfortunately, this too is

problematic because by the time these countries seek assistance from the IMF, the programs and policies prescribed by the IMF can be just as painful, sometimes even more painful, than before. Notably, one of the respondent's in the study used the analogy of someone being diagnosed with cancer. The person waits last minute to seek medical attention. By the time, the chemotherapy is administered, that individual may suffer worst from the treatment, than the disease itself.

Another main inquiry of the study was to determine under which paradigm of development do these leaders perceive their relationship with the IMF? To this point, most of the CARICOM are dependent states because they rely so heavily on forces outside their control, and outside of the region. This is because many of the countries have small economies. Also, they simply do not have abundant resources or a well-developed capital market. All of them have a nascent, or infant type stock market structures that is in the process of being developed, but certainly not enough to provide any kind of financing to businesses. Additionally, some countries have very little self-generating impetus because they depend heavily on foreign loans, foreign grants, and foreign import of goods and services into the country, and countries that have one raw material are worse off.

Lastly, the researcher sought to understand at least what sort of perception does the CARICOM leaders has for future growth. The consensus that comes out of this study is the use of mix model. Most of the respondents suggest that governments ought to provide some basic services at the same time creating an environment that fosters a free market environment. For example, governments ought to provide keys services like water,

education, healthcare and perhaps even electricity. These are paramount basic needs. At the same time, governments ought to create the economic environment that encourages confidence in the private sector. For example, governments can provide land for agriculture and or developers, governments can offer tax incentive that a lucrative to private investors and governments can seek to create private-public companies.

### **Implications of the Study**

A main theme that draws out of this study is this – the IMF programs as stipulated do not work toward sustainable development of CARICOM states. The results of the study showed that most CARICOM leaders and decision makers admit that the region is in a state of dependency. Even with the use of the IMF programs, the paradigm is still a trajectory of dependency. However, the CARICOM states continue with these programs. What it says is this - regardless of the failures of the IMF, our leaders continue to use the programs.

A learning moment during this investigation is this: if one seeks to measure growth, then looking toward the IMF is more than likely to result in an inverse relationship. Indeed, the IMF may recommend cutting expenditure which automatically reduces GDP. What the IMF can do which it does is that it makes resources available. It does. The onus here is not really on the IMF, but rather on the incumbent governments which brings one to the closing point with Claude Aka Development and its politics. He contended that leaders of the global South represent the interests of the political elites and their patron. Ake pointed out that this very notion of “development” is ambiguous in nature and is full of contradictions. What is most striking of this view is that the global notion is aware of

this self-interest of the leaders of the global South. Yet the global North accepts and perpetuates such an agenda. After all, the global South, regardless of internal politics, remains trapped in debt to the global North. The result is a state of perpetual dependency. Whereas the thrust of this study does not resound around unaccountability of CARICOM governments – there have been increasing concerns with the partisan clientism and nepotism. Unquestionably, these practices are connected to the IMF programs. A case in point is as recent as February 2018. After a series of hurricanes destroyed several CARICOM states, the World Bank decided to supply eighteen million dollars to the island of Dominica through a program called the Agricultural Emergency Response Grant (AERG). This grant was meant sole for farmers and fishers to assist in rebuilding. Unfortunately, large sum of this grant did not go toward the farmers. According to the opposition leader Mr. Lennox Linton, the monies were distributed arbitrarily. The claim here is that the monies were used to patronize party supporters to lure the citizen toward supporting the incumbent government. The point here is not a discussion of small island politics. Rather, the larger implication here is the ineffectiveness of IFI toward CARICOM development. According to the leader of the opposition, what results is a welfare state. Instead of farmers and fishermen investing, and being productive – monies are wasted in nonproductive sector.

### **Recommendations**

Interestingly, this study raises a slightly different perspective. Whereas the researcher concurs with providing assistance to the poor and marginalized, the interviews with the some of the respondents during this investigation raises a salient



point: the provision of a monthly stipend to the less fortunate people is good - but not sustainable. A country cannot continue to do this. What happens is that more persons find themselves needing government assistance. A possible unintended consequence is this - the country risks becoming a welfare state. A more economically sound, although perhaps not for immediate political clout, but certainly on the path toward sustainable development is to invest in economic activity of the poor. What that means is do not simply give handouts. Rather, invest in the development of agricultural farm roads for example. By doing so, the state has provided farm access. In that way, the poor, uneducated, but semi-skilled at least in the agricultural sector, are able sustain themselves, adding to higher income and higher GDP.

A second recommendation is that the governments need to start look at making available the provision of resources. For example, the provision of land to landless peasants is pragmatic initiative. Admittedly, this is the opposite “remedy” that is often prescribed by the mainstream model. On the contrary, the main stream model typically recommends the eradication of subsistence peasant farming to larger scale more “efficient farms.” However, particularly as it applies to CARICOM states whose agricultural sector is small scale, the main stream model is not applicable. Rather, the governments can provide subsidies, including land to small scale farmers. Furthermore, governments can provide subsidy programs that provide weedicides, pesticides, seeds, and fertilizers. Programs geared toward helping the poor while simultaneously strengthen a productive economic sector.

Development, then, would be seen as a process progressively satisfying basic human needs, where the word progressively would stand for both more and more need-

dimension and at higher levels. In a book called *The Basic Need Theory: The Missing Ingredient in the Development Theory*, Keeton<sup>1</sup> stated the poor record of conventional development theories in reducing poverty in developing countries may result from the neglect of certain preconditions that are necessary before the people of a developing country are receptive to conventional economic stimuli. This point was echoed loudly by in this study, specifically during the Jonathan Lashely's take on IFI in the region. Indeed, recognition of the "misconception of poverty" in the region from the technocrats of the IFI is a serious concern. The basic needs approach, in its various forms, focuses on some of these requirements through its emphasis on human development and the recognition that economic development does not take place in a social vacuum.

Only if such a threshold has been achieved, will a population be receptive to those elements responsible for successful development in economically more advanced societies. Some of the recommended policies for development according to the basic needs theory which applies strongly to CARICOM states include:

1. Strengthen and diversify production capacity and productivity of investment. Again this is an area in which the mainstream model opposes the basic model. That is, concentration on the domestic market rather than intensifying efforts for exports. Practically, this includes the provision of land to landless peasant which is opposite to the IMF (mainstream's prescriptions) notion of the promotion of large scale "more efficient lands." One agrees with the basic model approach. In so doing, all shall eat, including the poor!
2. Improve pattern and level of factor income allocation to stimulate increased production, expand domestic markets and alleviate poverty. This includes a balance between the private and public sector. This also includes shifting direction and expenditure (particularly military) to social and health sectors.

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1. R. G. Keeton, *The Basic Needs Approach: A Missing Ingredient in Development Theory*, accessed August 26, 2016, <https://www.tandfonline.com/doi/pdf/10.1080/03768358408439092>.

3. CARICOM regional integration must be part of the paradigm of sustained economic development. Advocates of the basic needs theory support this, while advocates of the IMF's (mainstream theory) prefer a focus on individual countries. The latter creates an environment for competition not cooperation.

A third recommendation is for CARICOM states to shift the *modus operandi*.

Instead of looking to the IMF, CARICOM decision makers should consider Non-Government Organizations (NGO) foundations like Clinton Foundation and or Carter Foundation. Notably, after the earthquakes in Haiti, the Clinton foundation played a pivotal role on providing temporary housing and employment for the Haitian citizens. Conversely, in February 2018, visited the island of Dominica. The purpose for the visit to look for ways and means through the Clinton Foundation can help. Surely, the financing raised from such organization can go toward support for small businesses.

Importantly, a fourth recommendation is that CARICOM states must look within its boundaries for marketing opportunities. As noted before, the islands although similar in many ways, do have different agricultural and tourist packages. The Windward Islands (Dominica, St. Lucia, Grenada and St. Vincent) for example, who has the comparative advantage in the production of root crop and bananas, can look toward limestone countries like Barbados and Antigua for the export of the products. Barbados and Antigua who has the comparative advantage in tourism can show case its product to the Windward. Such inter-dependency is possible and efforts should be made toward this. Finally, the advent of a rising power from the east is eminent. Undoubtedly, the lion's share of investment that China makes goes to the Caribbean. It makes sense then, that Caribbean leaders consider the Chinese provision of loans and grants as an alternative to the IMF.

To understand the rationale on perception of CARICOM leaders, and other stake holders concerning the IMF's role in addressing socioeconomic factors in the region, this research has shown that often governments are constrained - almost compel to use the fund. As seen in the interviews, the respondents that "No country does it willingly. Very often, it is when a country is in dire straits, and we often say that they take on the very bitter medicine."

In sum, the researcher admits that there are several prevailing approaches in looking at development. In this research, the researcher considered the mainstream (IMF) model and possible means for getting it to work. Indeed, one of the six respondents suggested such a model. To be clear, such model independently has not worked and cannot work as a single paradigm. However, as the study indicates, most CARICOM leaders and other stake holders consider the economic apparatus in the region as one of dependency. Admittedly, for IMF policies to work effectively for CARICOM it must consider and utilize aspects of the basic needs theory. In so doing, IMF model can afford or at least cater for the unintended consequences of its policies. In the end, the matters raised in this study are salient. It brings to the forefront the voices of leaders, and other stakeholders including business owners, scholars, and young persons from the region. Such salient concern exposes the need for further research on the topic.

## APPENDIX A

### Consent Form

#### **Perpetual Dependency: CARICOM and the International Monetary Fund**

You are invited to be in a research study examining the effects of X on Y. You were selected as a possible participant because you are.... We ask that you read this form and ask any questions you may have before agreeing to be in the study. This study is being conducted by Dion George, a graduate student in the Department of Political Science at Clark Atlanta University.

#### **Background Information**

The purpose of this study is to examine the relationship between CARICOM governments and the International Monetary Fund. We hope to learn how CARICOM governments understand the IMF and how they make decisions on using the fund.

#### **Procedures**

If you agree to be in this study, we would ask you to do the following things. First, read and sign the consent form. You will be asked to participate in an interview where you will answer key questions on the IMF involvement in CARICOM governments. The interview will be conducted in the Public Administration building on the Clark Atlanta University campus and should take thirty-five minutes to complete.

#### **Risks and Benefits of Being in the Study**

The benefit of participating in the study is the ability to contribute to the body of research. There are no risks for participation in the study.

#### **Confidentiality**

The records of this study will be kept private. In any sort of report we might publish, we will not include any information that will make it possible to identify you as a participant. Research records will be kept in a locked file; only the researcher will have access to the records. All proof of participation will be destroyed within three years after the study is complete.

### **Voluntary Nature of the Study**

Your decision whether or not to participate will not affect your current or future relations with the researcher, Dion George, or Clark Atlanta University. Your choice to participate in this study is voluntary and valued. If for any reason you feel uncomfortable about the study and the survey questions being asked, you are welcome to withdraw your survey from the study without penalty.

### **Contacts and Questions**

The researcher conducting this study is Dion George. You may ask any questions you have now. If you have questions later about the research, you may contact the researcher(s) at Phone 404-405-9802 or via email at [diongeorge2000@yahoo.com](mailto:diongeorge2000@yahoo.com). For additional inquiries or concerns, you may contact the Research Advisor, Dr. Kurt Young via email at [kyoung@cau.edu](mailto:kyoung@cau.edu). If you have any questions now, or later, related to the integrity of the research, (the rights of research subjects or research-related injuries, where applicable), you are encouraged to contact Dr. Travis Patton in the Office of Sponsored Programs at (404) 880-6985 or Dr. Shafiq at (404) 880-6795 at Clark Atlanta University.

*You will be given a copy of this form to keep for your records.*

**Statement of Consent:** I have read the above information. I have asked questions and have received answers. I consent to participate in the study.

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Signature

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Date

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Signature of Investigator

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Date

## APPENDIX B

### Interview Questions

#### **Caribbean Political and Economy and International Monetary Fund**

Please describe the duties of your current position.

1. Please describe your familiarity with your country's policies with the IMF.
2. Please discuss your perspective of whether or not the policies are uniquely crafted to address country's local challenges.
3. Please discuss your perspective of whether or not the policies are broad and are applicable to all CARICOM states.
4. Please describe your country's rationale to undergo IMF programs.
5. Please discuss your perspective of the impact of IMF programs to implement measures that eliminate inefficient use of resources and allow a more viable sustained financial condition of the country.
  - A. How does this improve the overall financial structure of the country's economy, if at all?
  - B. Please describe your country's ability to pay civil servants and/or meet payment obligations both domestically and internationally.
  - C. If the country was unable to pay civil servants and/or meet payment obligations both domestically and internationally, please discuss the concern, if any, of having little alternative outside of the IMF and subduing to the decision to use the fund in spite of the constraints of the bank's policy.
6. Please discuss your perspective regarding if IMF policies have worked favorably for CARICOM's economic growth.
7. Please discuss your familiarity with the contending economic paradigms on development.

8. Please discuss which economic paradigm you think is most appropriate to your country.
9. Please discuss which economic paradigm you think is most appropriate to CARICOM.
10. Please discuss which economic paradigm you believe is currently administered in your country.
11. Please discuss which economic paradigm you believe is currently administered in CARICOM.



## APPENDIX C

### Interview Transcription

#### **Caribbean Political and Economy and International Monetary Fund**

1. Please describe the duties of your current position.

Parliamentarian, former expert economist in the IMF – I am a member of parliament in Dominica; I am a senator on the opposition side of government.

2. Please describe your familiarity with your country's policies with the IMF.

I am very familiar; I have studied the historical relationship between Dominica and the IMF, but as a current member of parliament, that is something that we always have to be aware of and we have to keep a close eye on because there is always the specter of the IMF looming in the shadows with regard to economies like ours, and that is something that I keep abreast of.

3. Please discuss your perspective of whether or not the policies are uniquely crafted to address country's local challenges.

Yes, the policies of the government or the policies of the fund?

Policies of the IMF

Historically, there have been attempts...to use the policies the IMF prescribed towards local circumstances. The most recent example of this was when in 2003, there was a stabilization program in Dominica, where the IMF advised and moved ahead with the idea of imposing a stabilization levy on the country; as part of that, public servants were asked to take a 5% pay cut. Amidst much public concern and so on, it was agreed on, and the country was able to actually go through that process. So in that particular instance, the policy was suited because part of the issue was the very high greater spending and the inability of the government to meet its obligations to the public workers. So after much discussion and explanation by then Prime Minister Pierre Charles, it was agreed that the country would go on that route and take on a reduction in salary stabilization, and then after the country recovered, then that money would be paid back, and that is one example that we have in the very recent past where the policy prescription actually made sense to the country. Beyond that, the IMF has been very mindful. We'd have to go back to the 1990s, 1991 during the administration of Eugenia

Charles, where the government took on the advice that was given by the IMF with regard to some structural adjustments that needed to take place in the economy, and I think in that particular instance, it was tailored towards the country. So yes, for the most part, the policies that government undertake with the advice of the IMF really have a local element to it, and very often the country benefits as we see, and the success of those policies depend upon whether or not it is well-tailored or well-suited to the needs of the country.

4. Please discuss your perspective of whether or not the policies are broad and are applicable to all CARICOM states.

Yes, to some extent, the policy prescriptions are conducive or can be taken on board by all of CARICOM, because typically the IMF intervenes in a situation where the country is either experiencing some issues with the balance of payments, unable to raise sufficient exports, or it could be on the fiscal side, where spending is out of whack, and the government needs to control spending. The prescriptions that can be put forth for those are really something that all countries can adopt, as was in the case of Dominica, the country has this issue where the government cannot meet its payment, then you would have that situation. We have a similar situation developing in Barbados, for example, where the currency is under severe pressure right now; the government has not been able to get the level of incomes, and you have a fiscal problem where very soon you'll have issues paying public workers. Remember about two or three years ago in Barbados, the government on the advisory angle sent home several thousand employees, public workers, and that's another example, where if the problem is too much spending on the side of the government, you are to cut down the side of the government – so what do you do? In the case of Barbados, it was to reduce the size of the public servants, but it looks like that problem is resurfacing again because they do not have the level of resources that they used to have. Tourism has not done as well since the crisis of 2008. Tourism has not really recovered to pre-crisis levels, and you have that issue. The policies are broad simply because the underlying issues are not so different within the countries, so that you have a broad policy description that would basically work in the advantage of the country. The question is what becomes best for the country? So I talked about Dominica and Barbados; in the case of Dominica, it would not make sense to reduce the size of the work force because it is already small; it would make more sense to make everybody to take what we call a hair cut to give everybody a reduction in salary. In the case of Barbados, where you have a very bloated public sector, it makes sense to reduce the numbers, but the result is the same; you cut back on government spending.

5. Please describe your country's rationale to undergo IMF programs.

Typically, in the case of Dominica and several Caribbean countries, it always happens where the country has no alternative. No government, for example, likes to tell the country that they are going to reduce wages or they're going to send people home or they have to do other structural measures.

So it's more constraint?

It's a constraint. No country does it willingly. Very often, it's when a country is in dire straits, and we often say that they take on the very bitter medicine because they feel they have no choice. So in terms of timing, typically, that has been the case of Dominica, when it happened with Eugenia Charles in the 1990s and of the labor party in 2003, it was a case of them having no other choice. Because by taking on the IMF program, it opened up more financing and they could then access. And with that financing, they were able to do other things.

6. Please discuss your perspective of the impact of IMF programs to implement measures that eliminate inefficient use of resources and allow more viable sustained financial conditions of the country.

Typically, the idea of the IMF program is to increase the efficiency within the common service. We saw it happen in Jamaica, Barbados where it was a question of having a bloated public service. They wanted to reduce the size, improve the efficiency. These measures often involve the government having to make some sacrifices, either in terms of reducing the size of the public service or cutting back on other areas of waste. A typical measure might be in some cases where they have to cut back on transfers. If it's a case where a lot of services are being devoted to welfare state or social services, then you might want to reduce that. Governments typically are known to be because of the political nature because of the cycle – because of the 5-year cycle – governments typically operate with that in mind. So they will take policy measures that would appear to the public to be broadening, so, a typical example, they will take a policy that will appear to be employing more workers as again sending more workers home, expanding the so-called safety net, as again, reducing the safety net, taking on more infrastructure projects and so on because they want to be seen to be doing something, and especially during an election cycle, you will find government racking up their spending rapidly. Typically, that's not a good thing in the long run, but politically, it's a means to an end. So an IMF program usually requires some kind of discipline on the side of government, and it normally has to do with taking all those measures, and that's usually not popular. And that's one of the reasons why I believe that the IMF had been blamed a lot of times, because by the time the government takes on those policy measures, it's because they have no other alternative and they have to take on drastic measures. So it's like somebody that has cancer. If you catch a cancer early, you probably have to do just a slight dose of chemotherapy; if you wait until it is in the final stage, you probably almost have to kill the person to try to cure them. It's a similar thing; if the country does not take the measures early enough – and a lot of times they don't take the measures early because those measures interfere with their election cycle – but if they have no choice, because things are deteriorating, that's the time they actually go on and do it. And those instances, you can experience some efficiency gains, and so on, but for the most part, by the time those measures are taken, it is probably too late.

7. Please describe your country's ability to pay civil servants and/or meet payment obligations both domestically and internationally.

In the case of Dominica, there's an ongoing problem. The government of Dominica has had in place an effective wage freeze for the last three years. Basically, unable to pay salary increases and even now, with the demands by the public service union, which is the body representing the public servants, they are saying that they are not able to meet those increases. Government is claiming that it does not have those resources, and even if they were to pay the initial increase, they would not be able to sustain it because of the amount of money. The government would have to get an additional \$4 million every month to pay if they were to meet those increases. So what they have offered is a wage freeze, basically telling the public servants, we cannot pay for the past, basically for the last three years, the past two years plus this year under review. So there is a difficulty in government in meeting...now somebody could argue that this is not in keeping with the notion that there are other revenues from the passports, but the reason why you cannot use the passport revenue to pay public servants is because this is not sustainable...in fact, all of the advice the government is getting is to either save that money or use it on projects that can generate some type of income. So the government is in a very difficult position right now, simply because the tax base has been eroded so bad. The level of taxes is down, the level of trade – Dominica has a value-added tax, and that depends very much on the level of commercial activity, the level of trade that takes place in the country. And because of that, they have not been able to grow, to increase wages and stuff like that, and...they have not been able to offer wage increases.

- A. If the country was unable to pay civil servants and/or meet payment obligations both domestically and internationally, please discuss the concern, if any, of having little alternatives outside of the IMF and subduing to the decision to use the fund in spite of the constraint of the bank's policy.

That's a very good question, and the important thing to note is that a lot of reasons why countries in difficulty go to the IMF is because that is used as a signaling device to other donors and the World Bank that it is okay to give their resources to government. The reason for that is very simple; with an IMF program, the IMF shows that there are certain conditions in place, certain measures that the country has to undertake; so once the country has agreed to take on certain measures, then that opens up the way for additional funding. So what we find very often is to get more funding – whether it's to get additional grant financing or to get more access to loan financing, there has to be in place an IMF program; again, that serves as a signaling device, and some don't understand that, and that is the reason some countries will "bite the bullet," take on the program. If they don't take on the program, they will not have as much access to other resources. And so by taking on the program, that opens up the avenue of getting additional resources from donors, as well as probably from the World Bank.

8. Please discuss your perspective regarding if IMF policies have worked favorable to CARICOM economic growth.

To growth, maybe not, and the reason for that, in the cases I can recall where the IMF program has been in place, typically, has been to address fiscal issues. And if that is the case, you will not necessarily have a big impact upon the growth part of it. In other words, I can't think of a case where you had an IMF program that was geared toward to targeted toward increasing export sales or increasing the productive base. There's a question of government trying to constrain government spending...that by extension could have a negative impact on growth because you know that it is expansionary government spending that can generate growth; if government spending is contracted, that could also contract growth...if it does translate to growth, it will most likely do so with some type of lag. It will not be contemporaneous; it will not be in the same period, it will most likely be...some three or four-year lag.

*(Growth is increased GDP and more expenditure spending. The IMF is not directly impacting growth but stabilization programs, though a positive outcome, not growth.)*

9. Please discuss your familiarity with the contending economic paradigms on development.

Well, certainly you have the [Maoist paradigm, you have the structural, the capitalist. I think for the most part what will qualify is the capitalist...and to some extent, the dependency because of the way the government is structured. Because in most cases in the Caribbean regions, with the exception of the natural resource exporter like Trinidad, where you depend very largely on a monocrop, some agriculture crop, or tourism, and tourism in itself can be viewed as some type of monosector, so dependency to some extent...dependency with regard to just the fact that they rely so heavily on forces outside its control, outside of the region. So a lot of Caribbean economies that depend upon tourism, they depend upon a healthy economy in the United Kingdom or the United States, to the extent that when we had the financial crisis in 2008, we saw almost immediately the negative impact it had on Caribbean economies. In fact, that was one of the reasons why Barbados had some of those issues because with economies of the U.S. and Europe tanking to some extent in 2008-2009 during the financial crisis, immediately resulted in less tourism visitors to those islands, and that had a negative impact on them. So dependency paradigm to some extent, in that not only on that, on the inner flows that they get, but also a dependency on loan financing, grants. All of that usually comes from outside. So, for example, you have economies where you could have almost exclusive development from within in that the private, capitalist sector can finance projects, can major projects, like the building of roads or the building of infrastructure like airports and so on. This can be undertaken by the private sector because the private sector has the means. The local banks can provide the financing. That's not the case for a lot of the Caribbean countries. Any major infrastructure project has to be financed from outside.

10. Please discuss which economic paradigm you think is most appropriate to your country.

*(Most of the CARICOM countries use the dependency paradigm).*

First of all, in some cases, because of the size, they are very small economies. And secondly, because they simply don't have the level of resources or well developed capital market  
*(You mention also the mono-sectoral)*

11. Please discuss which economic paradigm you think is most appropriate to CARICOM.

The dependency...that is the one we most observe – with the exception of Trinidad and Jamaica, to some extent, but for the rest of the CARICOM region, I would say, it's the dependency. A lot of people will tell you it the capitalist nuclear structure. But that cannot be true; for the capitalist nuclear structure to be effective, you need that level of private sector involvement; you need a well-developed functioning, capital market, things you don't have in the Caribbean region. You know, the stock market, where people can actually go on there and the companies can actually get capital from the masses. A lot of countries you have a very nascent, very infant type stock market structure that's in the process of being developed, certainly not enough to provide any kind of financing or any kind of large scale to businesses, so that is why to a large extent, it will have to be dependency.

12. Please discuss which economic paradigm you believe is currently administered in your country.

In Dominica, without a doubt, dependency, and again, for these very simply reasons, the country has very little self-generating impetus. It depends heavily on foreign loans, foreign grants, and foreign imports into the country...definitely dependency.

13. Please discuss which economic paradigm you believe is currently administered in CARICOM.

In CARICOM, I think it's a mix between the capitalist nucleus and dependency. Capitalist nucleus would probably apply to fundamentally Trinidad, which is kind of outside and developed and Jamaica, but the rest where you have a monodependency, it has to be dependency.

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