

DeLisle Worrell: Debating social science issues in the Caribbean

Opening remarks by Dr DeLisle Worrell, Governor of the Central Bank of Barbados, at the 2016 Annual Review Seminar, Bridgetown, 26 July 2016.

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A warm welcome to the 2016 Annual Review Seminar (ARS). This conference plays a vital role in the intellectual life of Barbados and the Caribbean, and it has hugely greater potential to contribute to the global policy debate in years to come. Over the years we have seen the ARS mature as an incubator for the development of the skills of Caribbean Economists, especially those in the early years of their career. This event began as an opportunity for Central Bank Economists to share their research, and invite comment, and it continues to be a catalyst for our ongoing work. Our seminar is timed to fall at a time when we have interns visiting with us, and we always fit them into our programme. In addition, we issue a global call for papers, and as always we delight in the presence of those of you have come from further afield to join us today.

The ARS complements the Annual Monetary Studies Conference (AMSC) and the annual Salises conference, making for a trio of opportunities to debate social science issues in the Caribbean.

I see an exciting future for the ARS as we go forward, based on the research underway at the Central Bank of Barbados (CBB), on policy options in what we are calling the Small Very Open Economies (SVOE). We see an opportunity here to exploit an unfulfilled niche in the global market for ideas.

Forty years ago the University of the West Indies and Caribbean Economists pioneered research in the Economic problems of small size. The late William Demas, second President of the Caribbean Development Bank (CDB), brought size into the mainstream Economic debate with his book *The Economics of Development in Small Countries*, and the New World Group of social scientists produced a wealth of deeply researched studies on the challenges and circumstances of small open economies. We understood then that one size cannot fit all, and that the strategies that Canada and the United States employ to grow and prosper cannot be borrowed, lock, stock and barrel, and applied to tiny economies like Barbados.

But that is what we have come to nowadays. Whether you are Brazil or Belize, Canada or Cayman, Mexico or Maldives, the International Monetary Fund (IMF) insists that your best mix of Economic adjustment measures is an independent central bank with an inflation target, a flexible exchange rate and a debt to Gross Domestic Product (GDP) ratio that trends downward to sixty percent. We no longer have conceptual frameworks for Economic management for very small economies. That is the market that we at Central Bank of Barbados are well positioned to claim as our own.

We are already out of the boxes. We have a framework for anchoring our exchange rate by the use of fiscal policy to contain aggregate spending and imports. It is, as far as I know, unique in the world. Other countries are doing what we do, and like us have kept up the value of their currencies. But they are doing it instinctively, often because they have vast natural resources and small populations. We are the only ones who have a theory and a way to know when we must adjust and by how much.

And this is just the beginning. We are working on a tool to measure whether our fiscal policies are sustainable, building on the work we did with colleagues across the region, in the book we published last year. From this work we may derive fiscal rules that make sense for small open economies that are credible and can be implemented.

Also ongoing is analysis of investment and the current account of the Balance of Payments (BoP), intended to demonstrate that the conventional indicators may give misleading signals.

Beyond this, we must venture out into the fields of competition and competition policy, financial stability analysis, finance and development, and payments, to name a random few, in search of policies and guidelines that are appropriate for small very open economies.

I say this is a golden opportunity for us at CBB to take ownership of policy design for economies like our own, worldwide. Nobody else is doing this work. This can become our trademark, and when it does, we will attract talent from around the world to the ARS, people with an interest in Economic and financial management of SVOEs.

That is the promise of our future. We will go forward in concert with colleagues from across the region. Our research agenda will be reflected in the other conferences hosted in the region, and in the research that is undertaken in our universities and reflected in our journals. We have the potential to be a fount of ideas that can spread across the world, because we are coming up with policies that work.

We have every reason to look forward to the discussion and debate of the next few days. At the end of our sessions I am confident we would all have gained insight, and have identified many lines of new research waiting for our explanation. Our time here will have been well spent.