

Cleviston Haynes: Critical minds for critical times - economic research as a building block for transformative growth in the Caribbean

Speech by Mr Cleviston Haynes, Governor of the Central Bank of Barbados, at the 39th Annual Review Seminar, Bridgetown, 25 July 2019.

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Good morning,

It is my distinct pleasure to welcome you to this 39th Annual Review Seminar. This seminar has developed a rich tradition for sound economic thought and quality research on Caribbean economies that has contributed to public discourse and the betterment of our societies. Its success has led to the evolution of similar seminars at other regional central banks. This seminar continues to serve as an incubator for nurturing our young economists to the practice of economic research and has provided opportunities for us to discuss and debate research ideas, establish collaborative relationships and to learn from each other's shared experiences. I would also like to acknowledge other institutions in the region, such as the Caribbean Development Bank and the IADB that are also making available their valuable research on key aspects of economic development in the region.

At the Bank, our focus in the past year has been on implementation of Barbados Economic Recovery and Transformation (BERT) programme. To this end, our economists have been intimately involved in programme design and monitoring. I believe that there is a nexus between operational work and research because research is integral to the design of good economic policy. I wish therefore to commend our young economists who have risen to the challenge of preparing papers for this conference.

As I reflected on this year's theme, **Critical Minds for Critical Times: Economic Research as a Building Block for Transformative Growth in the Caribbean** I wish to share a few thoughts with you.

Firstly, the theme challenges each of us to critically think about the type of research we undertake and how the resultant findings contribute to national economic policy initiatives designed to drive transformative economic growth. We must, therefore, conduct relevant and timely research that includes economic ideas and models that capture the essence of Caribbean economies, namely small size, high import propensity and a binding foreign exchange constraint to name a few. More importantly, we must market our research through discussion forums such as these, on social media platforms, and on websites or in the traditional and non-traditional media so that our publics understand our work, and any ensuing policy initiatives. The research shows that an informed and educated public helps with the successful execution and transmission of the national economic strategies.

Secondly, what do we mean by transformative growth and what role can economic research play in fostering such growth. Transformational growth is a long-run phenomenon, which involves at its core the structural transformation of the economy, the basic premise being the repositioning and reallocation of economic activity across the broad sectors of the domestic economy. For the majority of Caribbean countries, these sectors are services, primarily tourism and financial services, and to a lesser extent manufacturing, mining and agriculture. In the case of Barbados, the Government has articulated a national digitisation strategy to transform the economy. The aim is to build a new economy that is knowledge-intensive, technologically driven, and that promotes innovation, creativity and inclusiveness.

Indeed, technological advancements are fuelling the pace of digitisation of the global economy,

which represents the greatest potential to drive transformational growth through changes in the economic structure of production. We at the Bank recognise that changes in technology are transforming the way financial institutions are interacting with their customers. In particular, the impact of technological advancements on financial regulation and supervision should be an area of research focus, as central banks must adapt to these changes and engage with key stakeholders to ensure the appropriate safeguards are in place to manage the inevitable risks that the new developments present. We must also conduct more micro-based studies to develop a deeper understanding of the behaviours our societies. The initiative to reduce the use of cash is a prime example of how such research can help us better understand the payments landscape in our economies.

The goal of structural transformation and ultimately the realisation of transformative growth must be inclusive. This means that everyone benefits from or shares in the income and wealth generation when the economy expands. From an economic perspective, research on the strategies that increase total factor productivity, competitiveness and economic diversification within and across economic sectors are essential. Finally, our research must examine how we can reduce the unsustainable use of natural resources to ensure that natural disasters and climate change do not put the prospects for transformational growth at risk.

The seminar programme reveals an interesting mix of research papers, the launch of the 2019 Financial Stability Report and a Barbados Economics Society discussion forum on the effectiveness of the BERT programme. On behalf of the Central Bank of Barbados, welcome once again and I wish you fruitful, stimulating and enjoyable seminar over these three days, and may we all be inspired to conduct more research that transforms our economies.

Thank you.