

For the Business Outlook Seminar Thursday, 13 January, 2011  
Celebrating 20 years, 1974 – 2011  
Seminar Theme: Diversifying the Bahamian Economy

Title: Bahamian National Evolution

Presenter: Olivia C. Saunders

I apologise that because of time constraints I am unable to provide more in-depth coverage and elaboration on points and issues made in this presentation.

The Bahamian model is oftentimes referred to as the "Stafford Sands model".<sup>1</sup> However, the characteristics of the Bahamian economy were determined even before the twentieth century and exemplify a typical dependency model which was fashioned long before Stafford Sands was born. The formalisation of the Development Board in 1914 was a continuation of efforts started in the 19<sup>th</sup> century to promote tourism by inviting and paying foreigners to bring tourists into the colony and to develop the colony's tourism product. And tourism was thereby designated the instrument for the country's advancement.

The inflow of capital to The Bahamas was drawn to the country in no small way because of the absence of taxes on earnings. Today customs duties and taxes on international trade and indirect taxes generally account for the bulk of government revenues. The tax component of the Bahamian economic model is much like most tax regimes of British colonies. It was not an invention of Sands although he chose not to change it as did all other controllers of the Bahamian economy. The deficiency of investment in human capital was another aspect of colonial economic models which Sands embraced, but did not originate.

Although Stafford Sands was not the originator of the country's economic model, he did take advantage of the world economic revival after WWII by utilising the infrastructure that was already in place in the country to advance tourism, by taking advantage of such things as advances in air transportation and technology advances in

---

<sup>1</sup> See for example, Gabriella Fraser's *Can the Sir Stafford Sands Model of the Bahamian Economy, Survive Today's Global Economy?* XXXIII Conference of the Caribbean Centre for Monetary Studies Belize City, Belize November 2001

air conditioning. Moreover, Sands's idea about the economic mainstay was one of limiting the involvement of the Bahamian labour force to the lowest possible positions in the hotels. It was Harold G. Christie in the 1930s who led the thrust of selling Bahamian land to wealthy foreigners for second homes and other investments. It was Christie who was responsible for inviting Harry Oakes to the country.

As a typical dependency model, the Bahamian economic model is designed for the country to relinquish responsibility for its resources and the commanding heights of its economy. It is one where characteristically the role of the residents is to provide labour and to be consumers while the owners of the economy, foreign nationals and a small minority of locals amass great wealth. What is the answer to the question, "What do we export and who owns it and who is reaping the wealth from it?"

Of course, inevitable modification of the Bahamian economic model occurred after Majority Rule when investments in social institutions, especially education provided a much higher quality Bahamian labour force and human capital that allowed for broader and deeper participation in the economy.

To be sure, the economic model we follow in The Bahamas is a model for ensuring underdevelopment of its people. Because our economic model does not require a very large number of Bahamians to have very high levels of expertise outside of a few professionals to facilitate certain transactions, we don't really need to be serious about education. Even where we have high expertise in say architecture and engineering, they are too often only support staff for the foreign experts brought in by the foreign investor. More and more I hear from recent School of Business graduates who wonder why they bothered to obtain further education. Their gifts and talents seem to have no place in the economy.

We have made tremendous investments in our so-called comparative advantage. Is it possible for us to create a new comparative advantage or comparative advantages?

Because our objective is to have foreigners own and control 'our' economy, we maintain a tax and incentive regimes that not only favours the foreign investor but moreover oppress Bahamians. The role of Bahamians in 'their own' economy is two-fold, i.e. to provide labour and to be consumers and neither of these roles nurtures, uplifts nor develops the human capacity of Bahamians. In fact, the current tax regime where

the burden of taxes rests primarily on consumers is the most economically oppressive of tax regimes. Because of our addictive reliance on foreign investment our appreciation for or even acceptance that there is Bahamian genius is negligible and in so doing we are oppressing Bahamians.

The economic model we have chosen to follow ensures persistently high levels of unemployment except for exceptional years of boom not only because of the limited options it affords but because economic policies only secondarily focus on local Bahamian business development. For example, to ensure that Bahamians are not able to become wealthy from the country's number one industry, we make gambling by Bahamians for Bahamians illegal. It is okay for Bahamians to gamble for the foreign owned casino – as croupiers, or to gamble at the carnival during the Christmas on games where the odds of winning are skewed something like 30 to 1 in favour of the house, but it is not okay for Bahamians to own and operate a gambling house (casino) while we grant gambling licences to almost any foreign investor that requests one. This is the case notwithstanding the fact the most efficiently and technologically advanced businesses in the country today are the illegal gambling houses which are operated by Bahamians! Our economic model perpetuates an economic apartheid. We operate in a world capitalist system and operate an economic model that hinders, nay restricts our general citizenry from owning capital in the key wealth generating sectors, while fostering capital ownership within The Bahamas by non-Bahamians!

An economy so designed does not have much need for and has not needed a local intelligentsia. Very few if any foreign investor seeks to conduct business in a host country with the view of developing local human capital or advancing local production capacity beyond the benefits of their own companies. Where the needs and desires of the foreign investor in spurring the economy on are paramount, leadership, entrepreneurship, creativity and advice in these areas emanate from the foreign investor and reflect *their* thinking, *their* aspirations and *their* objectives. The skills and aspirations of Bahamians are stifled.

We should also be concerned with how social dysfunction might be the result of the economy. The nature and structure of the tourism product in the form of mega-resorts, supports the breakdown of families and communities when parents who make

barely enough to support her children must be available to work 24 hours each day; or when in order to sustain the leading industry, we tend to look the other way when tourists contravene our laws; or when people come here to meet Bahamians who 'work' with them to 'get their groove on or get their groove back'.

As we brag about how so many other countries are following our economic model and we continue to entrench our economic model even further, our country is crumbling; our nation is deteriorating at a pace and to a level we once thought impossible. It is now time for us to put aside our religious devotion to this economic model we have had in place for well more than a century. An economic model is only a model of how an economy functions. The Bahamas is much more than an economy. The Bahamas is a nation. This nation comprises human beings. The entirety of focus for any policy maker has to be the evolutionary progression of the nation – the evolutionary progression of its people and those institutions which serve the people.

Undergirding the Bahamian economic construct is the assumption of scarcity – scarcity of Bahamian talent, scarcity of Bahamian know-how, scarcity of Bahamian capacity, and scarcity of Bahamian resources. Bahamian talent is going up in smoke.

While changes are taking place around us it appears as if we are punch drunk. The OECD reports, "The world's economic centre of gravity is changing. .... If these trends continue, by 2030 developing countries will account for nearly 60% of world GDP ... Over 40% of the world's researchers are now based in Asia." EconomyWatch reports that it is projected that by 2020 the BRIC economies (Brazil, Russia, India and China) will be among the top ten in the world and after 2030 together will relegate the US economy to 5<sup>th</sup> place in the world.

As the world political-social-economic centre adjusts away from western dominance, what is our plan of action? Will we do the usual and sit back and wait for some foreign investors to save us; provide some jobs so we can buy more name brand shoes? It should not be beyond our scope of understanding that these BRIC economies did not arrive at their places of prominence by sitting and waiting for someone else to drag them along. They took deliberate steps towards achieving their goals.

How well do we expect to do going forward into the second decade of the 21<sup>st</sup> century using 19<sup>th</sup> and mid 20<sup>th</sup> century ideas, models and institutions?

*So how do we move forward?* First, we must base our models on utilising the genius of the Bahamian people and those who call The Bahamas their home. Henry Ward Beecher said, "There is no greater crime than to stand between a man and his development; to take any law or institution and put it around him like a collar, and fasten it there, so that as he grows and enlarges, he presses against it till he suffocates and dies."

Within The College of The Bahamas's community alone - faculty, students, and graduates, can be found persons who can find solutions to any problem facing the country today. The capacity to design any physical or organisational structure for developing the country exists within The Bahamas and its people. Bahamians are endowed with the aptitude, the expertise to own and operate any organisation we decide is vital to our progress, our development and for nation building.

Second, we must ensure the capital and resources of the country are for the wealth and welfare of Bahamians. We have assumed another scarcity – that of resources. We have limited the general populous's thinking about our resources to sun, sand and sea and even in these areas the sun is limited to tanning tourists. We do not think of it as providing energy. The sand is limited to lying on and for construction, and the sea is limited to being crystal clear for the tourists. Economic activity from sportfishing in South Florida is estimated to be valued at \$1.2 billion providing some 8,000 jobs.<sup>2</sup> And Florida does not have the marine resources we have here in The Bahamas. We have the largest salt water flats in the world; the 3<sup>rd</sup> and 4<sup>th</sup> largest living reef systems in the world and the largest aquatic tropical nursery in the world. As we bring in and incentivise more and more foreign owned mega resorts, Family Island anchor projects and fishing lodges, we are systematically barricading Bahamians out of opportunities for harnessing the greater part of the nation's wealth while at the same time damaging the true wealth of the country which resides in our people, water and land.

Third, there has to be recognition that there is no separation of the economic system and any other system or that each system is inextricably tied to another. We

---

<sup>2</sup> <http://outdoorchannel.com/Conservation/News/Oil-Spill-Threatens-Billion-Dollar-Everglades-Sport-Fishing-Industry.aspx>

cannot bring in mega resorts and ignore the pressures on for example, garbage disposal and the possible relationship of smoke from burning garbage dumps and people's health; the possible relationship of people's health on their ability to nurture their families and on social deviance; the possible relationship of social deviance on law enforcement, the judicial system, the prison population, escalating crime and back to the economy. How about the relationship between the mega resort with their marinas and golf courses and the cost and availability of potable water? What about the relationship of the mega resort that only requires 15% of its staff to have much more than a grade 10 education and society's value on education? What is the relationship between the quality of a nation's education system and its people's ability to think, or to relate civilly, or to resolve problems, or to support democracy, or to renew itself?

How does our economic model affect the national psyche and individual confidence when the actions by policy makers constantly drum into our consciousness that we are inadequate; that we cannot do for ourselves; that we have to rely on someone else to think for us, to provide for us? That we as a matter of course seek the services of outsiders rather than Bahamians is on a national level psychologically and emotionally debilitating.

We have milked our economic model dry but even so, are we to reduce everything to how well the economy is doing and assume that once the economy is performing to some standardised theoretical aggregates all is well? What about quality of living? Is this important? Is developing a learning citizenry important? Is a participatory governance structure important? Is designing healthy communities important? Is nurturing and demonstrating the Bahamian genius important? Is utilisation of the abundance of Bahamian natural resources in a manner that ensures wealth of present and future Bahamians important? If these are, then we cannot just measure our progress on something called per capita GDP. We must appreciate that, "Everything that can be counted does not necessarily count; everything that counts cannot necessarily be counted."<sup>3</sup>

---

<sup>3</sup> Attributed to Albert Einstein

Yet even if we boil the nation down to an economy, the economic model we follow is not producing the results we'd like to think. Yes, The Bahamas is a high income country and high Human Development Index Ranking and low poverty rates. However, since Independence we have run persistent budgetary deficits rising national debt. Our primary exports have not, for a long time been able to pay for our imports. The Bahamian economy has one if not the widest economic swings of booms and busts in the region; is one of the most vulnerable in the world<sup>4</sup>, and income inequality in The Bahamas is probably the highest in the Latin American and Caribbean region."<sup>5</sup> Average GDP growth rates have been declining, over the last three decades. Sustaining growth is becoming more and more difficult. Our default unemployment rates are recession numbers. 69% of the unemployed are unemployed for more than 3 months and 35% were unemployed for more than 12 months. If we were to include discouraged workers, unemployment figures would increase by 2.5 to 3%<sup>6</sup>.

Inflation rate has been relatively low but as we know, our challenge is of high prices which are caused by reliance on imports and customs duties.

It is disastrous for us to continue using the present economic model of dependence and economic apartheid that is antithetical to achieving broad-based developmental objectives. The economic model is just one of the systems operating in the nation and should be employed to provide resources for nation building. The economy should not be an objective or end into itself. Human beings are more than workers and consumers, and policy makers should not measure how well the nation is doing by how many jobs arise from this or that project or how many cars are purchased.

Ladies and gentlemen, can we come together and decide what our nation should be? Can we imagine a different Bahamas? Will we invest in a new Bahamas? Now that

---

<sup>4</sup> See *Small States: A Composite Vulnerability Index* as presented by the Advisory Board to the Joint Commonwealth Secretariat/World Bank Task Force second meeting in St Lucia. As measured by a Composite Vulnerability Index combining economic exposure, remoteness and insularity and susceptibility to environmental events and hazards.

<sup>5</sup> *Bahamas Living Conditions Survey 2001*, page 14, Department of Statistics, Bahamas published 2004. The *Survey* provides Gini figures for Jamaica (0.35), Suriname (0.46), and Guyana (0.38) for countries using expenditure based methods and for countries using income-based methodology, Barbados and Trinidad and Tobago, the coefficients are 0.38 and 0.40 respectively.

<sup>6</sup> Figures available for the Department of Statistics from The Central Bank of The Bahamas website. [http://www.centralbankbahamas.com/statistics\\_dos.php?cmd=view&id=15488](http://www.centralbankbahamas.com/statistics_dos.php?cmd=view&id=15488).

we have perfected our tourism model, let us not be confused about our goal which is nation building. My advocacy is for a new economy so fashioned that it portrays and liberates the Bahamian brilliance; an economy that is congruent with healthy and sustainable communities, and an economy that extends wealth to the Bahamian citizenry.

Thank you