



A Second Year of Covid-19, and the End is not in Sight

Retrospective on 2021



Image: Hellotricity.in

Inevitably, the main preoccupation in my monthly Economic Letter has been with the pandemic, its economic effects and measures to cope with the economic outcomes. Also, publications of mine appeared in the *Handbook of Caribbean Economies*, in *Global Discourse*, an interdisciplinary journal of current affairs, and in *Studies in Applied Economics*, published by Johns Hopkins University. I continued to act as interim President of the Association for Barbados-China Friendship, and in that capacity I wrote an editorial for the Association's magazine, as well as messages for Chinese New Year (January), the second anniversary of the ABCF, and the 72nd anniversary of the foundation of the People's Republic of China. In August I was inducted into the College of Central Bankers of the Global Interdependence Center, Philadelphia, USA, and I offered an inaugural commentary. In February I gave the Inaugural Gian Gandhi Lecture of the University of Belize, and in November I presented a research paper at the Annual Monetary Studies Conference of the Caribbean Economic Research Team, CERT.

In addition to copies of all my Economic Letters (in text, video and audio), Working Papers (many of which have subsequently been published), commentaries and shorter papers, my website DeLisleWorrell.com featured a quarterly update on Covid-19 in the Caribbean, for which I am indebted to Julia Jhinkoo-Ramdass. Unfortunately, the September 2021 update was the final contribution in this series. On the website I have also shared outstanding infographics that I came across, from various sources, for example [Mapped: The Distribution of Global GDP by Region \(visualcapitalist.com\)](http://visualcapitalist.com).

Economic Letters

When I wrote in [April 2020](#) about the measures that Caribbean Governments might have taken to cope with the Covid-19 pandemic (“Covid-19: saving lives and securing livelihoods”) I could not have imagined that, as 2021 fades into 2022, the end of the pandemic would be nowhere in sight. Since that first commentary I have returned to this topic no less than eight times, including four commentaries in 2021. In [January](#) I urged the Barbados Government to take the lead in mobilizing efforts to agree on international travel protocols, through the World Health Organisation, the International Air Transport Association, the World Travel and Tourism Council and authoritative bodies. I also pointed to the need to devise and implement suitable arrangements for the safe reception of visitors, and to upgrade the country's health delivery systems. In [March](#) I worried that air travel might not be as safe as the travel industry suggested, mainly because of lack of social distancing in airports. In [August](#) I made another plea for beefing up of Covid testing capabilities. In [October](#) I pointed out that “thinking ahead is the key to managing in uncertain times such as the Caribbean now faces” and highlighted areas in which practical medium term strategies are needed to bring forward a full recovery of Caribbean tourism.

Three Economic Letters dealt with possibilities for the diversification of the Barbados economy. In [February](#) I wrote “In order to turn the corner on what is still a failing agricultural sector, farmers need to focus on the production of high quality fresh foods, produced organically and distributed to consumers safely, quickly and conveniently”. In [May](#) I provided a progress report on the use of renewable energy in Barbados. In 2015, an in-depth study found that the best that could be achieved by 2035 was 96 percent of electricity generation, with a combination of solar PV, wind, biofuels, waste-to-energy and storage. To date, solar PV is the only element that has been introduced to the grid. Renewables are now the only major prospect for supplementing foreign exchange from tourism, thanks to the foreign exchange that the country would save. In [June](#) I found the once-promising prospects for the International Business and Financial Services sector had all but dissipated.

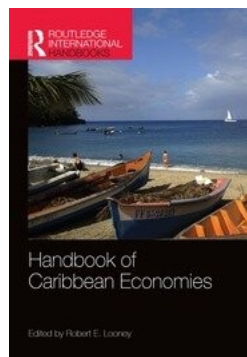
Two Economic Letters dealt with public sector reform. In [April](#) I reminded Barbadians that we have not yet turned the corner on deteriorating public sector performance. I pointed to a fatal breakdown in the separation of powers needed for the efficient functioning of democracy: “the design and implementation of policies have been taken over by politicians, and the public sector managers, where the skill and experience reside, have no role in the process”. In [July](#) I drew attention to a virtual public lecture by Professor Mariana Mazzucato of University College London, the author of the acclaimed *The Entrepreneurial State*, where she made the case for “purpose-driven co-operation between an efficient public sector and an efficient private sector”.

I ended the year with three commentaries on aspects of globalisation, which, I have stated elsewhere, is not a choice; it is a fact of our lives. In [September](#) I argued that “Emigration and immigration are both very beneficial, if managed well”. “The sending country receives a stream of remittances, which add to the supply of vital foreign currency. The host country benefits from the higher productivity which immigrants exhibit”. The Letter advises Caribbean Governments that “To fully realise our nations' economic potential, our leaders should recognise the benefits of the movement of people, as well as movement of goods, services, finance and technology” in and out of the region. The [November](#) Letter enlarges on a summary comment by Jacob Frenkel, the Chairman of the Group of Thirty, at the 2021 International Banking Seminar, hosted by the Group at the time of the Annual Meetings of the International Monetary Fund and the World Bank. Frenkel pointed to the need for a new agenda for the IMF and for fundamental reform of the United Nations and its agencies, so that these institutions become the decision makers for global policies which are needed to reverse the ultimately fatal deterioration of the global economy and society, probably within the current century.

My [December](#) Letter puts the spotlight on climate change, the most intractable of the global challenges. The Congress of the Parties in Glasgow (COP26) was “a wake-up call heard around the world”. Everyone now understands that there is a problem that threatens the lives and lifestyles of people now alive, in terrifying ways. The first steps are yet to be taken to turn the tide.

Publications

I contributed four chapters to the [Handbook of Caribbean Economies](#) (Routledge, 2021). “[An Alternative Policy Approach](#) to Growth and Stabilization in Small Open Economies” explains



how to use fiscal management to maintain and improve the international competitiveness of the small open economy, to maximise the inflow of private foreign capital motivated by attractive rates of return, and to stabilise inflation expectations by anchoring the exchange rate to an international reserve currency. “[The Caribbean Holds Its Own](#) in Global Tourism Competition” provides evidence that the growth of the tourist industry in the Caribbean is a rich and varied success story. For the most part it has been a story of private enterprise, with the providers of tourism services pricing their services in line with the quality of service on offer, and, for a majority of countries, adjusting prices in a successful strategy of protecting or increasing their market share. “Why and How to Use [Fiscal Policy to](#)

[Target the Exchange Rate](#)” proposes an approach to macroeconomic policy which equips the authorities in small, open, financially-integrated economies to target the exchange rate by influencing the volumes of trade in goods and services to achieve equilibrium at the target rate. “Development and Underperformance in [the Barbados Economy, 1946-2018](#)” describes how, in the years since World War II, Barbados was transformed from a desperately poor society, with only a tiny middle class, to today's economy of mostly middle-income earners, which is ranked by the UNDP among the highest level of human development globally.

“Measuring China’s economic impact in the Caribbean,” published in [Global Discourse](#), pointed out that the remarkable surge in Chinese economic productivity, especially since the turn of the century, has been of material benefit to every economy in the world trading system, and the Caribbean has shared in those benefits. The most substantial benefit to the Caribbean from the relationship with China has been via the purchase of more affordable products made in China or made with Chinese inputs. The Caribbean has secured additional imports that may be of the order of 5–10 per cent, compared with what the same money would have bought from alternative non-Chinese sources.

“The Time Has Come to Permanently Retire All Our Caribbean Currencies,” was published in [Studies in Applied Economics](#). I argued that the currencies of Caribbean countries have now outlived their usefulness, and have become a liability. They were devised at a time when most payments were made using notes and coin, issued in distant metropolitan centres. Scarcity of the means of payment was a severe hindrance to commerce. In response, Currency Boards were set up to issue local currency as needed in the colonies. The system worked well because the local currency issue was backed by an equivalent value of Sterling, in a global system of fixed exchange rates. In contrast, nowadays payments are made mostly by electronic communication, credit and debit cards, cheques and drafts, with settlement over digitized bank accounts.

Presentations

On February 25, 2021 I presented the inaugural [Gian Gandhi Lecture](#) of the University of Belize, on the topic “Economic Policies for prosperity and stability: thoughts on the future for Belize”. By and large Belize’s economic performance since 1990 has been consistently above the average, over 10% per annum in the early 1990s and over 2% per year over the last three decades. Additionally, Belize avoided a slump in output in the years immediately after the first Gulf war and also during the global recession of 2008-2009. Economic performance throughout the region has declined since 2015 or thereabouts, but once again Belize has not been as hard hit as the rest of the Caribbean. However, the impact of Covid-19 was as devastating as it was elsewhere: “In its *World Economic Outlook* publication of October 2020, the International Monetary Fund forecast that Belize's GDP in 2020 would fall by 16%, the fifth worst impact in the Caribbean.” My suggestions for economic policy to put Belize on the path to future prosperity included engaging with the international tourism industry to restart the tourism sector, a strategy for strengthening the health systems as a national priority, reform of the public service to raise performance to international standards, targeted support for maintaining and strengthening national competitiveness of tourism and exports, a fully articulated strategy to achieve 100 percent use of renewable energy within a demanding but realistic time frame, fiscal management characterized by borrowing to obtain durable public goods, and fiscal policies designed to ensure that the benefits of economic growth are widely shared.

In November I presented a paper entitled “A policy model for stabilisation and growth in the Small Open Economy” at the Annual Monetary Studies Conference, hosted by the Central Bank of Trinidad and Tobago. The paper offers a behavioural model which incorporates the distinguishing features of small open economies (SOEs): their growth depends on investment in the capacity to produce internationally competitive tradable goods and services, sold abroad at ruling world prices; there is no substitutability between the tradables they sell to earn foreign exchange, the imports they need to sustain production and lifestyles, and government services and other nontradables; and their financial markets cannot be insulated from the international financial markets which enable their external commerce, the lifeblood of their economies. The key to successful policies for stable growth and long term prosperity in SOEs is fiscal policy designed to manage aggregate demand with a view to external balance and a stable exchange rate, while at the same time deploying tax, expenditure and government borrowing policies to sustain and improve international competitiveness. The effectiveness of this strategy is brought to light with the use of the SOE-specific model, and its conclusions are compared with conventional wisdom. The paper will be made available on the website of the [Caribbean Economic Research Team](#).

The Association for Barbados-China Friendship

My editorial “[Personal stories are the most persuasive](#)” for the third issue on the Association’s *Exchanges* magazine gave examples from Wuhan, from China’s poorest village, and from a Chinese doctor who died of Covid in New York, to make the point that it is personal stories that most effectively bring home to us the fact of our common humanity. This power of shared experience is what the ABCF aims to deploy, through travel, study, exchange visits, cultural activities and other forms of engagement.

In [my address](#) on the occasion of the Association’s second anniversary I pointed out that our miraculous new interconnectivity opens exciting possibilities for enlarging and enriching our experiences, as individuals and as societies. However, interconnectivity also brings challenges. New encounters always make us nervous, whether the occasion is a first date, a new job, or a new society and culture. The way we overcome that nervousness and doubt is by building relationships and mutual knowledge among the parties to the engagement. That is what the Association for Barbados-China Friendship is about: building trust between Caribbean and Chinese people through fostering personal relationships in every field of

endeavour. We aim to enrich our lives by exploring our cultural diversity and deepening our knowledge of the roots from which it has sprung.

I offered [congratulations on behalf of the ABCF](#) on the occasion of the celebration of the 72nd anniversary of the founding of the People's Republic of China, I commended the Chinese on the elimination of absolute poverty in their country, on their remarkable management of the Covid-19 pandemic, and for their achievements in renewable energy and sustainable infrastructure. Also commendable is the Chinese Government's responsiveness to the population's concerns about housing, air quality, regional disparities and similar issues. The PRC's consistent commitment to the United Nations and its agencies, the WHO, the WTO and other global institutions is also praiseworthy.

The College of Central Bankers

My [commentary](#) on joining the College was entitled "We each owe our first allegiance to our fellow humans". In it I argued that the marvel of modern communications technology has brought home to everyone who cares to pay attention, the fact of our common human destiny. Widely available information about anthropogenic climate change, species extinction, pollution and waste, desperate poverty and income inequality, all point to an impending implosion of human civilisation which is more imminent than anyone could have contemplated since the end of the Cold War. However, while many of us understand the danger intellectually, in our hearts our loyalties remain parochial, to our country, to our faith, to those of our political persuasion, to those who share our heritage and culture. It is those markers, not our common humanity, which tend to determine our strongest motivation. The best hope for solutions to the imminent threats to the future of civilised society as we know it is to build personal networks of trust that transcend national - and other - borders. The invitation to join the College provides an opportunity to add to global networks of understanding.

Thank yous

My heartfelt thanks to Simeon Wu-Kwai, my indefatigable webmaster, Roxanne Brancker, Marc Hollingsworth for his arresting illustrations for the Economic Letters, Tessa Ottley, for her incomparable editing skills, and to Monica and all those friends and colleagues whose comments and suggestions helped to inform and improve my output during the year.

DeLisle Worrell

December 31, 2021