

Plenty, is it Enough?

Abstract

The Bahamas is a Caribbean-type economy. The Bahamian economic model was formulated more than a century ago and continues with superficial modifications most of which are externally directed. It is characterized as a 'one and a half crop' economy, with a dual economic structure, foreign ownership of the leading sectors, immiserized locally owned industries with a high income international classification. By any measure, the Bahamian economic model has produced economic success with respect to high per capita GDP, Caribbean-wise low unemployment rates, stability, and resilience in the face of external threats and natural adversities. This paper draws on historical and current data and events in explaining and characterizing the Bahamian economic model. The paper discusses the economic model from the perspective of its efficacy firstly as one that fosters appropriate socio-economic development for Bahamians and secondly, the extent of its success and as a practical paradigm for the 21st century advancement of The Bahamas. The 21st century is viewed as one where there are unprecedented pressures for greater political and economic transparency, increasing externally generated national guidelines, continuous technological advances and the growing importance of regionalism.

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“The theory of comparative advantage still holds but a country’s comparative advantage is created by what it does - more precisely by what investments it makes. If a country has not generated the necessary skill base, Ph.D’s in microbiology, it cannot have a biotechnology industry.”¹

Introduction – The Bahamas

The Bahamas covers an area of 13,880 square kilometres. It consists of, according to the advertisements, 700 islands, rocks and cays. With respect to the English speaking Caribbean, it is smaller only than Guyana (214,970 sq km) and Belize (22,060 sq km). The Bahamas is sandwiched between the richest nation in the hemisphere The United States of America (USA) and its nemesis, Cuba. It is also bordered by the poorest nation in the hemisphere, Haiti. The Bahamas is therefore strategically located on a number of levels.

The highest point in the country is on Cat Island measuring 63 metres and the third largest coral reef in the world exists off Andros. Materially, The Bahamas’ natural resources are listed to be salt, aragonite, timber and arable land. Tourism accounts for more than two-thirds of the economic activity in the country and is followed in significance by financial services which contributes between 15 and 20 percent to GDP. The country holds a population of over 325,000 and was granted independence 33 years ago inheriting and continuing a bicameral parliament of elected and selected membership with Queen Elizabeth II as head of state. There are 21 administrative districts throughout the chain of islands.

Demographically, it is a youthful country with a median age of around 27 years; with 38.1% under 20 years, and around 29% of the population below 14 years of age. The estimated birth rate is 18.57 births per thousand and death rate of 8.68 deaths per thousand. Life expectancy at birth is 70.2 years. Literacy rate is reported to be around 96%.

¹ Lester C. Thurow in, *The Future of Capitalism*, p.71. Penguin Books 1996.

In terms of ethnic diversity, The Bahamas is a somewhat monolithic society. Officially, the racial composition of the country is 85% of African ancestry. Even so, there are people living in The Bahamas originating from some 48 countries. 61% of all work permits issued goes to workers from the Caribbean². At least 95% of Bahamians are Christian. This very religious state of affairs is put side by side with the reality of a high prison population.

Economically, inflation rate is low, 1.95³, per capita GDP (PPP US\$) is 17,843⁴, public external debt to GDP is 9.4%⁵, and an unemployment rate of 10.2%⁶. Taxes on international trade represent 58% of total tax revenues.

The Bahamian Economic Model

The Bahamas is a Caribbean-type economy – small, open, underdeveloped.⁷ The economy has a dual structure dominated by an ever growing foreign-ownership of the commanding heights of the economy with limited linkages to the Bahamian-owned sector which leads to persistent structural unemployment.⁸ The economy is a one and a half crop economy with tourism as the one and financial services as the half. The characteristics of the Bahamian economy were determined even before the twentieth century⁹. The government has always subsidised the transport of tourists to

² *The Implications For The Bahamas Of Participation In The Caricom Single Market And Economy*, Prof. Bishnodat Persaud Dr. Michael Davenport, 2000

³ 2005 figures reported in Quarterly Statistical Digest, The Central Bank of The Bahamas, November 2006, Vol.15 No. 4.

⁴ World Development Report, 2006.

⁵ Calculations based on data from The Bahamas Department of Statistics and The Central Bank of The Bahamas, 2005 figures.

⁶ The Bahamas Department of Statistics, 2004 data.

⁷ See *The Bahamian Economy An Analysis* by J. Kevin Higgins, 1994, published by the Counsellors Ltd, Nassau, Bahamas.

⁸ See *Unemployment in The Bahamas*, by Olivia C. Saunders, 1994, published in *The Business Challenge* by The School of Business of The College of The Bahamas.

⁹ The Hotel and Steamship Services Act 1913 made provisions for the Governor in Council to negotiate and contract as appropriate “for provision of Hotel accommodation in Nassau and a steamship service between Nassau and the State of Florida ...” The steamship service was to provide for the transportation of mail, passenger and freight. The hotel accommodations were to be “of the same character as provided in first class hotels maintained and carried on in the State of Florida ... for not less than ten consecutive weeks in each year”. Also in this year An Act to consolidate and amend the law relating to the encouragement of Manufactories and the building and keeping of Hotels,

the country as well as encouraged (actually, discouraged Bahamian ownership) while subsidising foreign ownership of the tourism plant. Tourism was designated the instrument for the country's advancement by way of constituting a Development Board in 1914.

Its duties were, to make enquiries, to collect information, adopt measures, to appoint agents, and to make contracts "for the purpose of promoting the thorough advertising of the Colony as a Tourist Resort and for developing the material resources of the Colony and for such other purposes as in the judgement of the Board will materially facilitate and increase the tourist traffic to and from the Colony."¹⁰

The inflow of capital to The Bahamas for either construction of the tourism plant or financial services institutions was drawn to the country in no small way because of the absence of taxes on earnings. Customs duties and taxes on international trade account for the bulk of government revenues, some 58%. Moreover, indirect taxation accounts for 83% of total government receipts. A model for the Bahamian economy can be described whereby economic growth is a function of the variables: tourism, financial services, foreign ownership of the tourism and financial services plant, and the ratio of indirect taxes to total government revenues where it is expected that these variable have positive coefficients¹¹.

There is no evidence that this model will be changing anytime soon as the major economic initiatives to provide employment, grow and revitalise the economy continue to rest on invitations to foreign investors to provide touristic products and services where the government grants major tax concessions and even sells its land to these investors. Bahamas Information Services in January 2005 quoted the Prime Minister,

1913 was passed to provide for the importation of building materials for the use in the construction of hotels and manufactories free of customs duty. Quoted from, *The Formation of The Modern Bahamian Economy 1900-1950*, 2003, presented at Bahamian Forum on the occasion of the 30th anniversary of an independent Bahamas by The College of The Bahamas.

¹⁰ Ibid, Saunders

¹¹ This expands the variables suggested by Gabriella Frasier at XXXIII Conference of the Caribbean Centre for Monetary Studies in Belize City, Belize November 2001, *Can the Sir Stafford Sands Model of the Bahamian Economy, Survive Today's Global Economy?* which only includes tourism and financial services.

With the Ginn Corporation leading the way with their plans to construction resort facilities in East and West Grand Bahama, hundreds of millions of dollars will be pumped into the Grand Bahama economy creating more jobs and opportunities. ..The Ginn Corporation is ready. They have adopted Grand Bahama for resorts seeing that you are so close to Florida. They have decided over a ten year period to launch development of a magnitude that will cause the construction industry on this island to know with certainty once they see those development announced, that they will never be able to have a lull in construction activities over the next decade.... it is a massive proposal, one that is predicated on developing 2,500 acres of land.

To be sure, the Ginn Corporation is not a Bahamian company and neither are there Bahamians participating in the ownership of the company.

A press release appearing on its website November 2005, Baha Mar, a company created by Sarkis Izmirlan, states “Baha Mar represents a quantum leap forward in the continued success of The Bahamas, ushering in a new era for Nassau's Cable Beach area of New Providence Island... Largest Single-Phase Development in the Caribbean to Include Six Hotels, Largest Casino in Region, Championship Golf Course”. The Prime Minister “has expressed confidence in the future of the Bahamian economy, as Baha Mar Development Ltd announced a major undertaking in its proposed \$2 billion plans for Cable Beach.” And in his view, this is “is truly a defining development of unprecedented proportions” Baha Mar Development Ltd is not Bahamian owned, nor is there any Bahamian participating in the ownership. Further, the Bahamian government is pursuing a policy whereby ‘anchor’ hotels resorts are to be placed on every major island. All of these resorts announced to date are foreign owned except for one in Eleuthera.

The ‘half’ of the Bahamian economy is the financial services. Where tourism contributes a little more than two-thirds to GDP, financial services contributes between fifteen and twenty percent.¹² Banks, trust and insurance companies combine to employ 3% of the labour force. The high salaries, average \$47,469 and

¹² Published by the Central Bank of The Bahamas in the *Quarterly Economic Review*, March 2006, (Vol.15, No. 1) Pages 32 - 40.

\$44,024¹³ in bank and trust companies and insurance companies respectively demonstrate this sector's significance to the economy. The Bahamas' competitive edge in these activities is accounted for by "its ability to support functional operations, backed by a sizeable pool of skilled labour, and a comprehensive regulatory infrastructure which sustains international confidence".¹⁴ There are 248 banks and trust companies licensed in The Bahamas. Of the 22 which are authorised dealers and agents, 5 are Bahamian. The other public banks and/or trust companies are either branches or subsidiaries of foreign banks. In recent years Bahamians have purchased ownership and in some instances bought out formerly foreign owned insurance companies. These cater primarily to the local market.

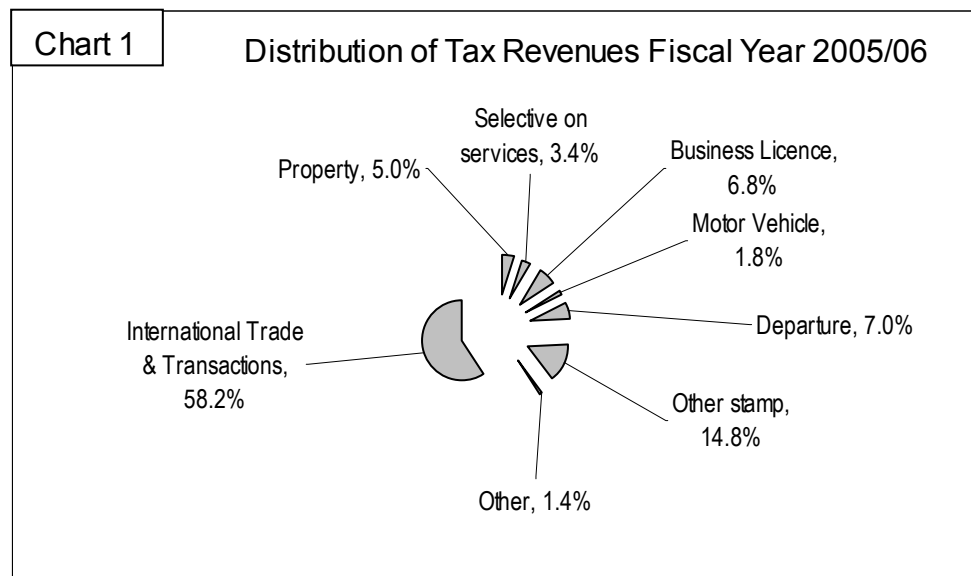
As the only country in the hemisphere that is not a part of the World Trade Organisation (WTO), The Bahamas has had no compulsion to reform its tax regime. However, The Bahamas is in the process of becoming a member of the WTO and tax reform is inevitable. The reform will come with much reluctance. Importantly, the alterations to the tax regime will not include the introduction of direct taxation on income of any kind. The present government's platform for election 2002 emphasised in bold print that it will, "Not introduce Income, inheritance or corporate taxes".¹⁵ The former government in its Manifesto 2002 stated, "We commit to no income tax".

Taxes on international trade and transactions represent 58% of total tax revenues. Chart 1 shows the distribution of tax revenues as a percentage of total tax revenues for the fiscal year 2005/06.

¹³ The Bahamian dollar is pegged 1:1 with the United States dollar.

¹⁴ Ibid

¹⁵ *Our Plan*, published by the Progressive Liberal Party, 2002 pg 9.



There is undaunted confidence in the Bahamian economic model. Quoting from the budget communication 2000-2001,

The Bahamian economy in the last 50 years has rested solidly on the pillars of tourism, financial services and the development of Freeport, primarily as an industrial sector. It is evident that The Bahamas has been immensely successful, because living standards for ordinary Bahamians compare favourably with those of the most developed countries. Indeed The Bahamas' development strategy has been so successful that it has many imitators. In this regard, at the recent Annual Meeting of the Caribbean Development Bank in Nassau, the President of the Bank, Sir Neville Nichols commented as follows in support of the movement of Caribbean economies towards the frontier of new services:- "...there could be no better location to embark on this change in emphasis both for our Region and for its Bank, than here in The Bahamas that, long ago, pioneered the development of a comprehensive services economy that is a model for the whole world."

This concentration on tourism and financial services as the driving forces of the economy has been concurrent with neglect of local agriculture and manufacturing and generally diversification of the economy. The percentage change in gross value

added in 2005 for agriculture was -0.5%, for fishing -11.7% and manufacturing 5.2%¹⁶. In the same year net exports contributing a negative 22.9% to GDP.

The Success of the Bahamian Economic Model

Economically, inflation rate is low, 1.95¹⁷. This compares favourably with rates of 2.83% for the United Kingdom, 3.39% for the United States of America, 6.05% for Barbados, 6.88% for Trinidad and Tobago, and 15.3% for Jamaica. The average inflation rate for The Bahamas for the period 1995 to 2005 was 1.7%.

Per capita GDP (PPP US\$) for The Bahamas is 17,843¹⁸, and is the highest among Caricom members. See table 1.

Country	GDP per capita (PPP US\$)
Bahamas	17,843
Barbados	15,720
Saint Kitts and Nevis	12,702
Antigua and Barbuda	12,586
Trinidad and Tobago	12,182
Grenada	8,021
Belize	6,747
Saint Vincent and the Grenadines	6,398
Saint Lucia	6,324
Dominica	5,643
Guyana	4,439
Jamaica	4,163
Haiti	1,892
Suriname	...

Source: World Development Report, 2006, United Nations

¹⁶ Figures from the Department of Statistics.

¹⁷ 2005 figures reported in Quarterly Statistical Digest, The Central Bank of The Bahamas, November 2006, Vol.15 No. 4.

¹⁸ World Development Report, 2006.

Public external debt to GDP is 9.4%¹⁹. The total direct charge represents 38% of GDP.²⁰ Government deficit to GDP for the period 1998 –2003 is the lowest of Caricom countries.²¹ See table 2.

Table 2	
Deficit to Gross Domestic Product Caricom Countries, 1998-2003	
Country	Deficit to GDP*
Bahamas, The	-1.8
Trinidad and Tobago	-2.2
St. Lucia	-2.5
St. Vincent and the Grenadines	-3.5
Haiti	-3.8
Barbados	-5.0
Guyana	-5.9
Suriname	-6.3
Grenada	-7.1
Antigua and Barbuda	-7.9
Dominica	-8.2
Jamaica	-8.5
Belize	-10.9
St. Kitts and Nevis	-11.2
Caribbean	-5.9
Source: From table 2. The Caribbean Macroeconomic Indicators, 1990-2003, in <i>Stabilization, Debt, and Fiscal Policy in the Caribbean</i> , Prepared by Ratna Sahay, February 2005, IMF Working Paper, WP/05/26	
* government revenues plus grants minus government expenditures relative to GDP	

The 2004 unemployment rate for 2004 was 10.2%²² which approximates the average rate for the years 1994 to 2004. Compared to other Caribbean countries, the

¹⁹ Calculations based on data from The Bahamas Department of Statistics and The Central Bank of The Bahamas, 2005 figures.

²⁰ Ibid, 2005 figures

²¹ See *Stabilization, Debt, and Fiscal Policy in the Caribbean*, Prepared by Ratna Sahay, February 2005, IMF Working Paper, WP/05/26

²² The Bahamas Department of Statistics, 2004 data.

unemployment rate was 5.9% for Trinidad and Tobago (September 2006), 9.8% for Barbados in 2004 and more than 12% for Jamaica in 2004.

The Bahamian economic model has produced one of the lowest poverty rates in the world. The poverty rate in The Bahamas is 9.3%²³ which is lower than the United States. Only 5% of households fall below the poverty line. As with other Caribbean countries Barbados, Cuba, St. Kitts and Nevis, Trinidad and Tobago, and Antigua and Barbuda, The Bahamas demonstrates high Human Development as measured by the United Nations ranking 52nd of the 177 members surveyed.

By any economic standard, the success of the Bahamian model is undeniable. The projections for the country's continued economic performance are optimistic. In his budget (2006/07) communication, the Prime Minister explains the projected²⁴ growths of 6.5% in fiscal year 2006/07 and 6.7% in fiscal year 2007/08 by way of his "government's success in attracting productive investment in tourism projects in virtually every major Island of The Bahamas,... The projected volume of inward investment is at least 8 billion over the next few years. ...The projections would result in the GFS Deficit being reduced to 1.1% in 2008/09, and the ratio of Government Debt to GDP being reduced to 36.3%."

Chinks in the Armour

The sustainability of the Bahamian economic model is tied to growing the tourism sector, growing the financial services sector, maintaining government revenues primarily by way of indirect taxation and avoidance of taxes on earnings, foreign capital flows into and foreign dominance of the leading sectors.

The narrow focus of the Bahamian economy has not been confined to the products and services offered but also to the locus of the delivery of them. The economic locus has been primarily on the island of New Providence, the location of the capital Nassau. Of the seventeen populated island groupings, New Providence has the highest population density with, 1,018 per square kilometre and houses 69% of the population even though it is one of the smallest islands comprising only 1.5%

²³ *Bahamas Living Conditions Survey 2001*, Department of Statistics, Bahamas published 2004.

²⁴ From the International Monetary Fund

of the country's landmass. The population density of the largest island, Andros (almost 30 times larger than New Providence) accounting for 43% of the country's landmass houses 2.5% of the population is 1 per square kilometre. The typical rural-urban drift obtains from the Family Islands to the capital. This partially explains the income disparities which the model perpetuates.

The poverty rate for the country is 9.3%. It is less than this for the two major islands, New Providence and Grand Bahama at 8.3% while the poverty rates in the rest of the country averages 16.9% ranging from 13.2% in Abaco, Eleuthera and Andros to 16.6% in Exuma and Long Island to 21% in the other islands. Further, "The Gini coefficient for The Bahamas is estimated at 0.57, which is equal to that of Brazil...., the Brazilian Gini is based on income distribution, which tends to be more unequal ..., whilst the Bahamian figure is based on expenditures. This implies that true inequality is likely to be significantly higher in The Bahamas and thus probably the highest in the Caribbean."²⁵

Another aspect of income distribution relates to the dependence on foreign capital flows and foreign domination of the leading sectors. The total household income is a measure of the income earned and/or received by households in the country and while the GDP measures the total income generated in the country, the income received by households in the country is 34% percent lower than GDP.²⁶ This is suggestive of significant income outflows which, because of the tax structure are not taxed. This high level of outflow moderates the swagger which comes along with the high per capita GDP

The need to alter the existing tax structures was expressed by the Minister of State, in the Ministry of Finance, Mr. James Smith in his address to the Abaco Chamber of Commerce in January 2004, "... it is overly concentrated on international trade ...adversely affected by domestic monetary policy... cyclical and regressive." In her address to the Parliament in May 2005, the Deputy Prime Minister expanded,

²⁵ *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.

²⁶ Calculated from Department of Statistics data.

“...the ratio of Revenue to GDP of 20% is becoming increasingly hard to achieve because of the narrowness of our revenue system, heavily dependent as it is on Customs revenues and the non-taxation of services. Thus, expansions of essential public services, international obligations, and the general operations of the government have resulted in fiscal deficits emerging which are being financed more and more by borrowing. As a result, the level of Government Debt to GDP has risen inexorably since the year 2000. Clearly there is a pressing need to review the fiscal structure and operations of The Bahamas.²⁷ The customs duty based tax regime promotes and tends to entrench poverty because of the high prices it supports. The possibility for savings for low income persons where prices are high is low.

Additionally, the driving forces of the Bahamian economy are services, yet the lion's share of tax revenues are tied to goods. Furthermore, with the domination of the commanding heights of the economy by foreign ownership there are grave issues regarding tax burdens and regressivity. The design of the Bahamian economy where income is not taxed originated during the time of colonial rule and a minority white elite controlled the legislature. At the time, there was no separation between the local political and economic powers. Taxes on imports were complementary to foreign ownership of the tourism industry, and the neglect of agriculture, manufacturing and general diversification of the economy, the economic dominance of the wholesale/import businesses of the minority white merchant class and the suppression of the general populace. This meant a commitment to dependence on imports to feed and provide the country for its needs. Even today, the wholesale businesses are dominated by local minority whites. The burden of customs duties is easily transferred to customers²⁸. The high prices which customs duties ensure without any related value added also puts into question the high GDP.

The nature of the Bahamian economy makes it one of the most vulnerable economies in the world. In fact, it is rated number three after Vanuatu and Antigua

²⁷ Taken from, *Towards a New Taxation Regime*, by Olivia C. Saunders in *New Policy Directions*, edited by Nikolaos Karigiannis, forthcoming.

²⁸ It should be noted that business licence fees which is a tax on gross earnings do exist.

and Barbuda.²⁹ This vulnerability arises from economic exposure which stems from essentially a singular export focus – tourism, import dependence and dependence on foreign capital inflows. Whereas remoteness and insularity do not apply to The Bahamas as regards its primary market, it is extremely susceptible to external events and hazard. And notwithstanding its high per capita GDP which is second only to Singapore (of the 111 small states surveyed) The Bahamas ranks 25th as regards output volatility where Singapore ranks 94th.

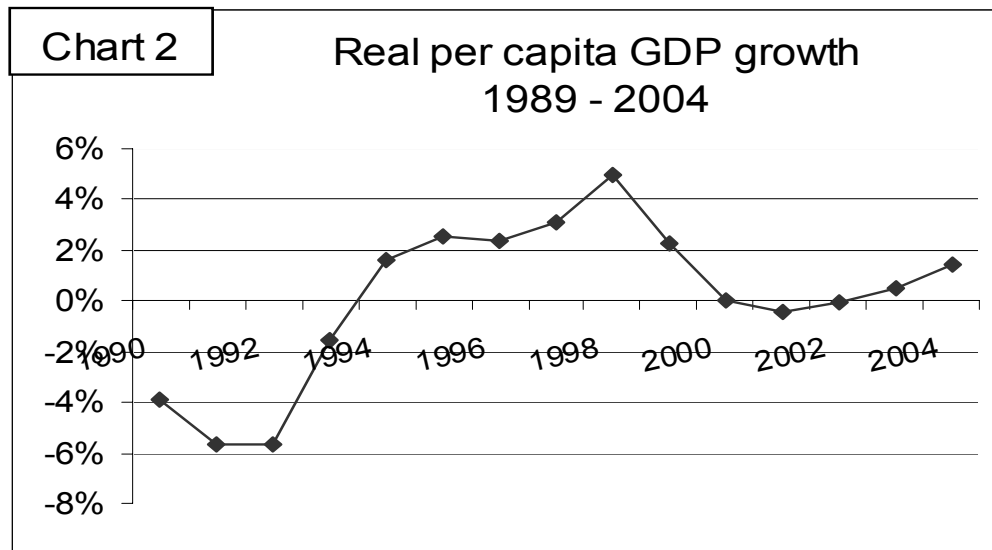
Another key statistic that can be used as a gauge for the Bahamian economic model is its capacity to sustain not only a quantity of living but also a broad overall quality of life. The Bahamas' quantity of life, as reflected in per capita GDP purchasing power parity is higher than any other Caricom country. However, this does not convert to a higher quality of life. The Bahamas ranks 52nd in the world with respect to the Human Development Index ranking behind Barbados, 31st whose quantity of living is 12% lower and Saint Kitts and Nevis, 51st whose quantity of living is 29% lower. See the table 3 below. Additionally, The Bahamas has the 8th highest prison population in the world per 100,000 inhabitants in the Interpol survey of 205 independent and dependent nations.³⁰ Of independent Caribbean countries, comparing The Bahamas' 2002 figures, it is just behind Belize (1999 figures), Suriname (1999 figures) and Dominica (1999 figures). This high prison population is reflective of social ills in the society.

²⁹ As measured by a Composite Vulnerability Index combining economic exposure, remoteness and insularity and susceptibility to environmental events and hazards. 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.

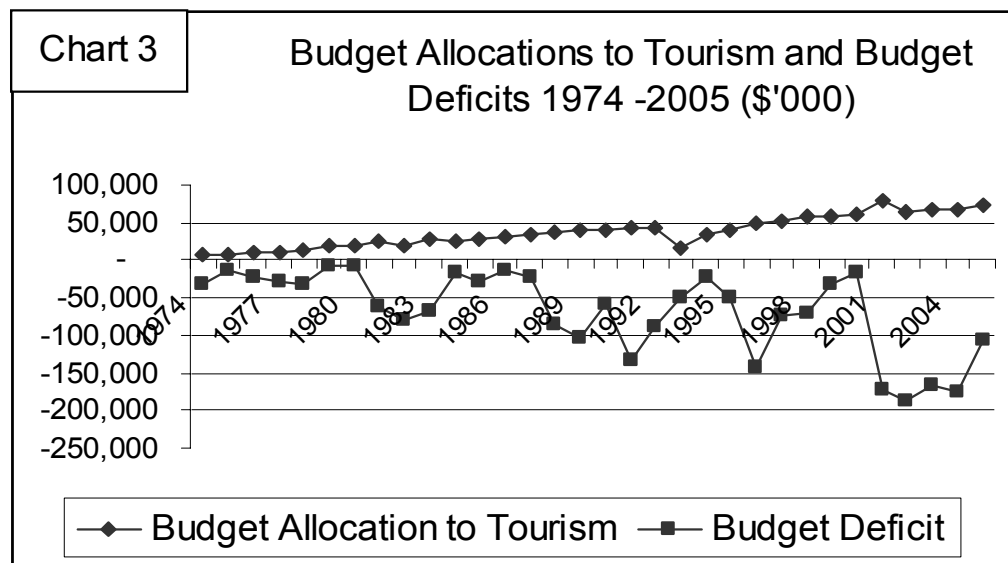
³⁰ *World Prison Population List (fourth edition)*, Roy Walmsley, Research, Development and Statistics Directorate, Home Office, UK. Figures for The Bahamas are 2002, Dominica and Suriname 1999.

Table 3			
Prison Population for Caricom Countries			
Country	Date	Estimated national population	Prison population rate (per 100,000 of national population)
Belize	30/6/99	239,000	459
Suriname	30/6/99	442,000	437
Dominica	30/6/99	71,000	420
Bahamas	10/02	308,000	416
Trinidad & Tobago	30/6/99	1.365m	351
St Kitts & Nevis	30/6/99	40,000	338
Grenada	20/6/02	89,200	333
Barbados	22/2/02	268,000	317
Antigua & Barbuda	2/98	67,000	278
St Vincent & Grenadines	17/10/01	112,000	270
St Lucia	30/6/99	150,000	243
Guyana	6/7/01	861,000	175
Jamaica	30/6/99	2.5m	170
Haiti	30/6/99	7.8m	53
Source: World Prison Population List (fourth edition), Produced by the Research, Development and Statistics Directorate, Communication Development Unit Room 275, Home Office, publications.rds@homeoffice.gsi.gov.uk			

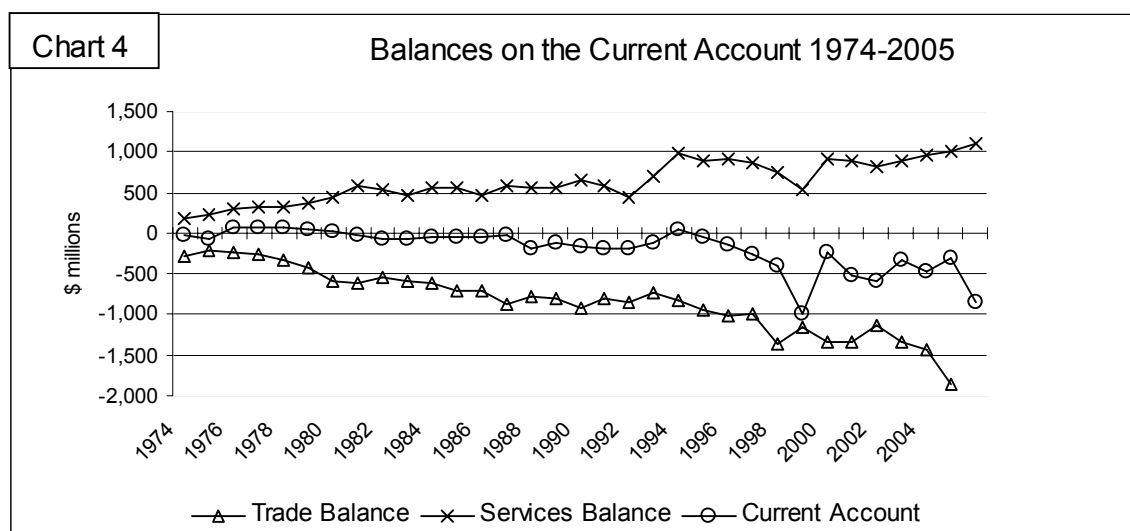
Another measure to assess the efficacy of an economic model is the extent to which economic growth is sustained, specifically growth of real per capita GDP. Between 1989 and 2002 when there was the global economic bubble of the 1990s, real per capita GDP growth was 0.10%. Over this period, real per capita growth has essentially been zero. Chart 2 shows the swings that occurred in the economy during this period.



The budget allocation to tourism provides an indication of the importance which the government places on tourism (particularly its promotion) relative to other activities. Direct government spending on tourism represents more than 6% of its total spending. This surpasses public works. With respect to economic services, direct government spending on tourism represents almost 38%. Outside of debt, government spending on tourism ranks fourth behind the categories General Public Service, Education, and Health. Chart 3 shows a steady increase in the government's allocation to tourism while the trend for the overall deficit is downward. The demands of the economy, as tourism expands override the tax and other revenues received by the government that emerge from the expanded economy. The narrowness of the tax base has already been mentioned as a concern by the government. However, it should be emphasised that the tourism plant requires more and more facilitation that is, indirect expenditure by the government on tourism. Further, as tourism expands the demands of the local economy and the desire to maintain a certain standard of living requires more government spending. Clearly, advances in tourism are not ameliorating the budgetary deficits and is possibly contributing to its worsening.



Similarly, the country's current account does not seem to be benefiting from the expansions in tourism. 1975 – 1979 were the only years since 1973 to present where current account surpluses balances were experienced. Chart 4 shows that the balances on services and the trade balances have been moving in opposite directions with the negative trade balances outweighing the positive services balances. The result has been persistent and increasing current account deficits. Expansions in tourism (and services generally), the country's leading export sector, should correlated to improving not deteriorating economic indicators such as the current account.



Crisis, Chaos and Change

It should be made clear that the Bahamian economic model is not a model for economic and social development. Development was not the goal of the framers or of the inheritors and guardians of the Bahamian economic model. It is a model for providing jobs for the masses, enriching a few and ensuring sufficient income is generated so that poverty is limited. This model is a dual economic model where the duality exists between the foreign owned leading sectors and the Bahamian owned secondary sectors and where significant linkages between the two remain to be achieved. If development implies significant levels of self-reliance, internally generated economic activities, a diversified economy, a strong local entrepreneurial class, continuous locally inspired innovations and a generally dynamic economy, then this is exactly what The Bahamas is not. These were never the objectives to be achieved in implementing and operationalising this model.

How will the Bahamian economic model survive as a practical paradigm for the 21st century advancement where the 21st century is viewed as one where there are unprecedented pressures for greater political and economic transparency, increasing externally generated national guidelines, continuous technological advances and the growing importance of regionalism?

The Bahamas has determined to maintain a comparative advantage in services and has heavily invested in it. There is no biotechnology or any other technology industries for that matter. There are no serious investments in agriculture and there will never be any major breakthroughs in the country's capacity to feed itself or support the tourism industry. The investments which reinforce this model are expected to provide sufficient returns so that the needs of the people can be purchased from abroad.

The Bahamas' adherence to its economic model has avoided the stigma of failed 5-year economic development plans. It has staved off structural adjustments. It has weathered global crises and transitions. The Bahamas has enjoyed political and economic stability by taking pragmatic political and economic positions, maintaining fiscal discipline and avoiding measurable shifts in its economic policies. The Bahamian economy continues to attract investors, human capital and labour from outside to preserve, by any measure a decent way of life for its people. This paper has outlined some attributes which make it an economic success - its high standard and quality of living. Nonetheless, The Bahamas is a Caribbean country with the attendant socio-political and economic characteristics: first world consumption patterns, restraining Westminster system of government, strong trade unions, relatively high wages, mono-sectoral dual economic structure and labour drifts, limited inter-industry linkages, openness, fiscal imbalance, undeveloped capital markets, and dependent monetary systems³¹. And while there are weaknesses – persistent and rising budget and current account deficits, disquiet with poverty and income distribution, diminishing returns from tourism, that provide clear evidence that new approaches and directions are required for a re-design of the model, the Bahamian economic model has 'worked' and as with many of its Caribbean sisters, The Bahamas will change its direction and economic model only after crisis comes along, accompanied by chaos.

³¹ Ibid, Higgins