

FROM STATE CONTROL TO THE MARKETPLACE

A businessman remembers, by Everard Medina

Trinidad and Tobago eagerly accepted the model of development proposed by development economist Professor Arthur Lewis

Trinidad and Tobago, during 50 years of independence, has been transformed from a rural tropical backwater to an almost fully developed country, facilitated in great part by the oil and gas with which the country is amply endowed. There is great cause for satisfaction and for a look back at business life over the past 50 years.

To the businessman the oil boom of the 1970s, followed by the bust of the early 80s, returning to the boom years of 2001 to the present time, has been a roller coaster ride which has created economic giants in the private sector as well as erased those companies which were less adaptable to the changing economic conditions of the times.

Before Independence the businessmen of Trinidad and Tobago lived in the business environment of “British rule where the role of the state was minimal and limited to the provision of law and order, security, provision of basic infrastructure and the collection of taxes.” (Spackman) This was a situation that changed dramatically in the early decades of independence.

The politicians of the newly independent country of Trinidad and Tobago, newly charged

with the heavy responsibility of improving the lives of the population, looked to external development models to inform their choices of economic policies. Their politically formative years had been influenced by the policies of the British Labour Party under Clement Atlee which was elected to government in Britain with a sweeping programme of Nationalisation during the years 1945-51.

As the *Socialist Worker* No. 1864 issue of August 16th 2003 records: “The Atlee government inherited wartime policies of rigorously controlled prices and profits...Planning commissions determined what could be produced. Movement of currency and capital was controlled. In office, it set about nationalising the Bank of England, coal mines, electricity and gas, railways, British Airways and other sections of the economy.”

This incursion of government into what had previously been the domain of the private sector was attractive to the government of the day and the claiming of “The commanding heights of the economy” and the institution of “The planned economy” together with “Redistribution” became watchwords for aspiring politicians as well as those in office.

Any suggestion that the economy should best be left to “The Market” rather than the planning skills of economists was considered ludicrous and unworthy of debate. The economic models which informed the successful development of the “Asian Tigers”, of which Hong Kong and Singapore were comparable to Trinidad and Tobago, was ignored as being not suitable to the culture and style of government of this country. Indeed, a suggestion from Lee Kuan Yew, the Prime Minister of Singapore made some years later, when the economic success of the Asian Tigers, as against the travails of the Caribbean independent states, was obvious, that Trinidadians should play less “Mas” and work harder was met with derision.

Having rejected the models of the newly emerging Asian countries, Trinidad and Tobago

A typical Trinidadian office in the 1960s



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eagerly accepted the model of development proposed by development economist Professor Arthur Lewis. The strategies adopted by the government were: “The introduction of careful licensing procedures to minimise the use of foreign exchange on essential imports and investment outside the CARIFTA/Caribbean area.

To elicit a greater export effort from manufacturers who enjoyed duty free concessions from raw materials. To adopt new procedures that would ensure that the country received and had available for use of all earnings from exports. In other words the state had become involved in all aspects of the economy.”

(Bissessar and Hosein: “*The role of the State in the economic development of Trinidad and Tobago with special reference to the petrochemical sector*”).

The implementation of those policies was to involve the businessmen of Trinidad and Tobago, from the humble shopkeeper to the managers of large enterprises, in what can only be described as white-water rafting on the rapids of Independence, learning to operate their businesses in a time of economic upheaval and social experimentation. But the Chinese symbol for crisis also means opportunity and

there was a lot of money to be made and a lot of money to be lost on that turbulent river.

Taxation. The businesses of the day had to work in an environment of taxation almost to a confiscatory level, 50 per cent at the margin.

Price controls were instituted ostensibly to protect the consumer from what was described as greedy retailers. This resulted in shortages and black markets. There were government forays into the importation of food, specifically onions and potatoes, in an attempt to reduce the price to the consumer by bypassing the much maligned as useless “middle man”. It was soon apparent that government was not up to that task as evidenced by tonnes of rotting onions and potatoes on the docks.

Import substitution. A popular strategy of the time which encouraged local industry to supply goods which would otherwise be imported; they were protected from competition from imports by negative lists. The theory was that, given protection in their early formative years these industries would eventually grow up and become strong and able to compete

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The all-powerful Treasury

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Thirsty work: the Carib brewery around the time of Independence

internationally. They never could and never did. In the end the policy created a manufacturing sector producing shoddy and sub-standard goods for the local market. None were able to face the competition of a world market.

Currency controls were introduced to save what was described by the newspapers as “our precious foreign exchange”. This resulted in a thriving black market for foreign currency, and encouraged the proliferation of – at that time – illegal overseas foreign bank accounts, used to service purchases not approved by the government. The lowest point of this initiative was the ECO, a document which allocated the total foreign exchange a business enterprise was allowed for imports annually. It attempted to ration foreign exchange between competing needs. The importance of any need, relative to others, was adjudicated by a bureaucracy within the Ministry of Finance.

Those businessmen who could take advantage of the many distortions of the market created by these regulations did well, usually at the expense of the consumer. Others were forced to the wall.

It is useful to record these failed policies and bring them into the memory of our so different world. Memories of those times are fading, and as

a result, ever so often calls are made for a return to some of those failed policies of the past, price control, rent control, currency control, in the hope that they may cure some of our present ills. Those who forget the past are doomed to repeat it.

At this peak period of State Capitalism, government owned substantial shareholdings in 48 companies, of which 37 were owned outright.

The entire control structure collapsed in the early 1980s when both the quantity of oil drilled as well as its market price collapsed. The resultant decline of government revenues led Trinidad and Tobago to the IMF. Government subsequently retreated from its maximalist position in the day-to-day business life of the economy, and this has continued into the present gas boom. Government has instead concentrated on creating a welfare state which has created elaborate entitlements unlikely to survive any serious downturn in the economy.

Those adventures left us with some strange things, a plethora of football and other sports stadiums, some not yet completed. Some feel that there are more stadia than we could ever usefully utilise, even accepting (former Prime Minister) Mr Manning’s assurance that Tarouba Stadium would serve as a potential disaster shelter should “Kick Em Jenny”, an underwater volcano situated 8km north of Grenada, erupt and generate a tsunami threatening the region.

We have reason to look forward with faith in ourselves and optimism in the future. Those adventures of the past left us with some good things. Between 1975 and 1985 the Point Lisas industrial Estate, funded by over three billion dollars of government funds, became the showpiece of heavy industry in the Caribbean. Point Lisas continues to be a flagship of Industrialisation. This, together with a business community hardened by the ups and downs of the past should be well able to survive any future bust of what, because of our dependency on oil and gas, some economists claim is a boom and bust economy. ■

