FINANCIAL STRUCTURE AND ECONOMIC DEVELOPMENT IN THE ORGANIZATION OF EASTERN CARIBBEAN STATES [OECS]

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This paper examines the nexus between financial structure and economic development in the seven countries of the Organization of Eastern Caribbean States (OECS). Our analysis will be an ekistic one in that we will conduct the analysis with the basic needs of the individual and the entire community as our frame of reference. Our method will be, of necessity, an eclectic one: we will choose from various systems and doctrines those features which will buttress our arguments. This means that we will not cover all of the elements that ought to go into the comprehension of the financial structure and economic growth in the OECS. Our value is normative; but, as Herrnstein Smith (1984) notes, "All value is radically contingent, being neither an inherent property of objects nor an arbitrary projection of subjects but rather, the product of the dynamics of an economic system."

Since 1981, the seven countries which comprise the Organization of Eastern Caribbean States have had the spotlight of political and economic attention focussed on them. The Treaty of Basseterre was signed on June 18, 1981 ushering into existence the OECS. The establishment of the OECS serves as a model wherein seven microstates have pooled their resources in a symbolic, symbiotic and substantive way with the aim of furthering their development. The countries have experienced some benefits at the macroeconomic and microeconomic scale. However, there have been concerns about the structural nature of the countries as they battle the perturbations of the international and regional environments. Questions have been centered on the vulnerability and viability of the states; their structural adjustment; the impact of multilateral financial institutions on them; the likely scenarios of the impact of their graduation from the International Development Agency, among other key perspectives. Since 1981 too, many scholars and students of the OECS have contended that the OECS has passed the acid test of survivibility and, furthermore, the OECS may have within its modus operandi the seeds of the transformation that are germaine to elevating the wider Caribbean on a sustained growth path. Within the last two years the case in the OECS has been made for a closer political union. The jurors are still out on this case. Suffice to say, the spotlight is still on the OECS. It is in this light that we wish to assess the nexus between the financial structure of the OECS and the resultant development of the countries.

Structure

By structure, we mean the way in which the financial framework of the OECS holds together. Essentially, the holding together is really the supporting, critical parts of the financial complex, the manner, the form and the organization in which the OECS has operated, financially. The interrelation of all of the parts of the whole financial structure has sometimes been synergistic and, at other times, non-synergistic. The synergism and non-synergism have not been by design; they have been more by default. In a sense, the financial structure in the OECS is the political and economic analog to the structural-functional views of society as found in the works of authors such as Talcott Parsons (1951), Robert Merton (1957) and John Powelson (1972), to name a few authors. The financial structure provides a scaffold upon which significant structural work could be erected. We are <u>not</u> operating in the Latin American notion of structuralist - a notion which focusses on the structural vulnerability of economies; our notion is one of structural tractibility of the financial system as it pertains to economic development.

Economic Development

By economic development we are positing a system that is in line with the view developed in Jones-Hendrickson (1985; 1985 a). The system is a non-Keynesian system. It is Kaleckian in scope. Kalecki (1976) discusses the "mixed economy". In his analysis he refered to a prototype developing country in which the private sector plays a dominant role in production and distribution and the public sector is an active participant in the promotion of economic development through monetary and fiscal policies. Our analysis is not a mere empirical test of a Kaleckian system; rather, our analysis is a focus on the financial structure of the OECS such that we can understand to what extent the structure permitted economic development in a quantitative and qualitative manner.

In a synopsis, our approach to the concept of economic development combines the arguments of some authors who mixed the notions of growth and development - or transformation as we have called it elsewhere. In the works of Lewis (1955); Meier (1970); Kindleberger (1965); Kasdan (1973); Stewart and Streeten (1976); Dawes (1982); Eshag (1983), and Hope (1986), the concept of development which informs our thinking is operationalized.

The well-known idea is that economic growth is quantitative and economic development is qualitative. In this paper we are using a broad definition of development. Development is both quantitative and qualitative in a welfare enhancing facet of transformation. Development is socially determined. If we are to get away from what was, we need to focus our study of financial structure and development in the OECS on a view that challenges the contours of the discipline, questions the paradigms and assumptions, posits the possibilities of cross-disciplinary and multi-disciplinary issues and determines how all of these characteristics permit us to anchor the question of financial structure and economic development within the disciplinary boundaries that we have sketched. Economics has never attained a permament state or stasis. It never has and never will. In regions such as the OECS, change is constantly changing and at times, it is imperceptibly constant. For us, therefore, the nexus of financial structure and development is viewed as the change in the utilization of resources, plus a change in production, plus a change in welfare, plus a sustained growth in income - particularly per capital income.

In summary, the key task that confronts us in this paper is an assessment of the role and nature of the financial structure of the countries of the OECS. We are concerned with the qualitative and quantitative additionality caused by the types and scopes of financial structure in existence in the microstates in question. The paper is on the history and the practise of the financial structures as they aided or abetted the economic development process in the microstates of the OECS.

Interaction of Structure and Growth

In trying to understand the financial structure of the OECS, we have to understand the social, political, economic and cultural characteristics that are attendant in the region. In one factor that spans the gamut of all of these is the tax system. Taxes are functionally related to production structures, trade structures, administrative systems, enforcement systems, and the whole social matrix of the region.

Since 1981 the OECS has followed the traditional approaches and used the traditional tools of extracting financial resource from the domestic and international communities. The resource base has been centered on:

- Indirect Taxes
- Direct Taxes
- Subsidies
- Other revenue
- Aid from external largess
- Loans and grants

Indirect Taxes

When we use the term indirect taxes we mean a tax in which different tax rates are levied on different goods and services or types of income. Indirect taxes in the OECS include, inter-alia, customs duties, import duties, export duties, excise taxes, consumption tax, stamp tax, foreign currency tax, tax on international trade transactions, custom tax, customs service charge, value added tax, as well as other non-descript taxes. We note the overlapping nature of names and the synonym use of customs duties, custom tax, customs service charge, import and export duties.

In the OECS (indeed, in the Caribbean region) there is the tendency to follow the dictum of John Stuart Mill [1923: Chapter 6, Sec.3] that indirect taxes make the taxpayer less conscious. So, this feature of the financial structure looms dominant in the system. Objectively, indirect taxes are to encourage saving, conserve foreign exchange, and assist in preventing or dampening inflationary tendencies. The ease of administering indirect taxes may lie in the fact that there are solid pluses in its administration, as opposed to the theoretical characteristics identified above. The fact, too, that indirect taxes have some levels of progressivity and some auto-stability combined with some equity, may be one of the main reasons why indirect taxes are central in the financial structure of the OECS. But as is well developed by Fromm and Taubman [1973: 134], on grounds of equity, a direct tax is better than an indirect tax.

Direct Taxes

We define direct taxes as those taxes in which the same rate of tax is levied all goods and services and all kinds of income. Broadly defined, in the case of the OECS, the focus is on taxes on income, consumption and wealth. Direct taxes have come to be regarded as taxes levied on persons as opposed to goods and services. Direct taxes include, inter-alia; income tax, property tax, tax on goods and services, Hotel tax, hotel room tax, telecommunications tax, motor vehicle liscenses, and the umbrella category taxes on domestic production, consumption and value added.

If the tax rates were proportional and all income were taxed in the OECS, direct taxes would have been easily administered. However, with deductions, exemptions, dual books, poor record-keeping, lags in tax payments and no personal income taxes in three OECS countries, the personal income tax in the OECS has been hampered. On average, however, while there is evasion and a great deal of avoidance, direct taxes in the OECS are effective in reaching into these levels of income that sometimes are not reachable under other modes of taxation. Equity is regarded highly in the implementation of direct taxes.

Subsidies

The financial structure in the OECS includes, as one of its components, subsidies to companies. There is a lag relationship in this respect. Benefits are, ostensibly, to redound to the countries if they provide the favorable financial climate to the firms. When foreign direct investment is made in the OECS, the long-term rationale is that the region will benefit from employment generation, income tax that people will pay, and other taxes that will be generated from an agglomeration and multiplier/accelerator effect of the investment. In the best of both worlds, it cannot be said, conclusively, that the region has benefitted from the tax holiday, the accelerated depreciation given, the duty free on capital and raw materials, the allowance on profit repatriation, etc.

Indeed, the tax holidays and other fiscal incentives may have undermined the capacity of the OECS to collect the quantum of taxes that are due to the region. Couple this overt undermining feature with the problems of monitoring business, policing them, and curtailing underground economic activities through which there are significant leakages, and it becomes evident that this fiscal incentive arrangement may be pro-international business and not pro-the-local economies. Furthermore, when we link the political interference and sometimes involvement in the granting of fiscal incentives, it becomes dramatic that subsidies, as they are operationalized with the financial structure of the OECS, may not be as substanstive in bolstering the revenue coffers as it is superficially believed.

<u>Other Revenues</u>

This category in the financial structure of the OECS includes what is conventionally called non-tax revenues. Among these non-tax revenues may be found liscenses, rents and royalties, repayment of government loans, revenues from government departments, transfer from government enterprises, sale of crown lands, and so on.

Other revenues are an omnibus category which is sometimes used to solidify "regular" tax revenues which may have been eliminated. In some countries, like St. Kitts-Nevis and Antigua where personal income tax is not in vogue, the other revenue category is skewed towards garnering the revenues that may have been lost by the elimination of the personal income tax.

This other revenues category is of moment, though, because it gives a good insight into the reliance of the OECS on its own-efforts in terms of domestic saving and investment. Here, the type of development that underpins our analysis in this paper comes to the fore. Development, as we have said, includes the improvement of the welfare of the people and the countries of the OECS. The distinction of "other revenues" is the own-effort feature. Objectively the own-effort revenues are geared to minimizing, in the short-run, and obliterating in the long-run, the dependence on external aid. This own-effort suggests that local institutions and local financial structures ought to play a critical role in the pursuit of the directional development of the countries in question [Hope, 1986: 3-5; Kasdan 1973:10].

Under the other revenue category we are conveniently putting public financial institutions. Austin Robinson, in reviewing John M. Keynes General Theory in the Economist Feb 29, 1986, (1986:68) contends that "Governments and currency authorities have a responsibility for greater that that of merely making the rules and holding the ring". But, he notes, "... there are none so dangerous as those who believe that economics is a set of immutable commandments discovered in the ninetenth century, to be imposed, cost what it may, on a completely different world of the late twentieth century."

The public financial institutions have changed in the OECS. But there is still room for concern as Carlos Holder has shown. Holder's scenario was set in Barbados but there are derivatives from the OECS. Holder [1987: 11] notes that there is a role for public financial institutions in financing economic development given "that the traditional, colonial-type, financial institutions like commercial banks have not or cannot play the type of development role envisaged by emerging Caribbean-type economies. Experience has shown, [Holder notes], that public financial institutIons have failed partly because of organizational structures that existed since their inception." Holder's focus was on National Commercial Banks, Local Domestic Banks, Development Banks and Venture Capital Corporations. In the OECS the Barbados lessons are also evident, and more so, given the economies of scale of the financial institutions in the

OECS. It is noteworthy, though, that some of these financial insitutions, public and private, have served the OECS economies at commendable levels of operation.

Within recent years, some governments, like Grenada and St. Kitts-Nevis, have resorted to borrowing from their National Insurance Schemes and National Provident Fund, respectively, to meet their financial needs or to engage in election gimmicks.

Aid, Loans and Grants

Under aid, loans and grants, we refer to aid from multilateral and bilateral international financial agencies, subregional and regional agencies. The OECS has benefitted from a variety of funding sources which fall under multilateral financial agencies. Principally among these are the World Bank, specifically the soft-window, the International Development Agency (IDA), and the International Monetary Fund (IMF).

On the bilateral level, the countries of interest are Britain, the USA and Canada. These are now perceived as traditional lenders. Britain has maintained a series of concessional-type loans and grant programs. The USA has developed a variety of aid-linked programs, most noteable the Caribbean Basin Initiative (CBI) and Basic Needs Programs; Canada, too, has maintained its aid-linked programs, mostly financial agencies. Principally among these are the World Bank, specifically the soft-window, the International Development Agency (IDA), and the International Monetary Fund (IMF).

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Regionally, the Caribbean Development Bank (CDB) has been the financial mediator, director and orchestrator of some development in the OECS. The CDB, by Charter, has an emphasis on development in the OECS - the so-called Less Developed Countries of the Bank. Over the years, over 50 percent of the Net Cumulative Financing approved per annum by CDB has gone to the so-called LDCS. These are loans, contingency loans and equity. On average about 75 percent of the financing is pursued through "soft funds". Soft funds are Special Fund Resources.

Up to 1987, Cumulative Grant Financing to the OECS and other so-called LDCs was $67.1 million with over 91 percent given to the so-called LDCS. On average the CDB has given over 56 percent of its cumulative disbursements and over 68 percent of all its concessionary special funds resources to the OECS countries and the other countries of the so-called LDC group.

In the subregion, the Eastern Caribbean Central Bank has been a mainstay for loans for many of the countries. Besides disbursing loans to the Central Governments of the OECS, the ECCB has been a principal purchaser of governments' Treasury Bills and debentures.

In 1987, the net credit from commercial banks to governments of the OECS was EC$177.8 million or approximately $350 per capita. This amount, coupled with other debt, as we shall show, subsequently, means that the financial carrying capacity of the countries of the OECS was being stressed over the period.

A First Look Behind the Data

In Table One we present the data for Indirect Taxes. We note that the growth rate for the group was 10.7 percent. This is to be compared with the countries of Antigua, Dominica and St. Vincent which had growth rates of 15.6 percent; 13.3 percent and 12.7 percent, respectively. Conversely the other countries fell below the OECS group average. St. Lucia was 9.7 percent; Montserrat 7.6 percent; Grenada 6.9 percent and St. Kitts was 5.7 percent. [See Graph One].

The data for Direct Taxes are presented in Table Two. The OECS group growth rate was 10.3 percent between 1979 and 1987. Comparatively, direct taxes grew by seven tenths (.7) of one percent in St. Kitts; 6.1 percent in St. Lucia; 7.1 percent in Grenada and 7.3 percent in Montserrat. On the other hand, St. Vincent, Antigua and Dominica were above the group's average. Their rates were 11.1 percent, 15.7 percent and 18.8 percent, respectively. [See Graph Two]

If we look behind the data we note that there is a high degree of volatility in the growth rate of the member states. The year-to-year growth rates for both the indirect and direct taxes have not been sustained upwards as the group data tend to indicate. Furthermore, these data are nominal data. When inflation is taken into consideration the trend upwards has a further reduced impact of the effort in the countries.

In Table Three we present Gross Domestic Product at Factor Cost (GDP or Income) for the countries of the OECS and a composite figure for the OECS, 1979-1987. If we use the group's growth rate as the base of comparison, we note that OECS had a GDP growth rate per annum of 9.9 percent.

This base growth of 9.9 percent is to be compared with Montserrat's growth rate of 14.2 percent; 12.2 percent for Antigua and 11.1 percent for Dominica. In contrast, St. Kitts registered 9.3 percent; St. Vincent 9.2 percent; St. Lucia 8.2 percent and Grenada 8.1 percent. On a country by country basis we note a similar level of volatility as that which obtains in indirect and direct taxes.

In Graph Three we illustrate the OECS overall trend and comparative weight of direct taxes and indirect taxes between 1979 and 1987. Graph Four shows the relation of Income (GDP at Factor Cost), indirect tax and direct tax. From a trend perspective we note from both graphs that in 1980, both direct and indirect taxes were on the same level of trend. This was also true in 1982. In 1986 income and indirect taxes were on the same trend. Between 1980 and 1986 the growth in income was faster than the growth in direct taxes and indirect taxes.

Tax Effort, Marginal Rate and Buoyancy

In Table Four we underscore the relationship of the financial structure of the OECS, over the years 1979-1987, as that structure relates to Gross Domestic Product at Factor Cost or Income, as we are calling it. Column two shows the indirect tax effort. This is the ratio of indirect taxes to GDP over the years. That effort has averaged about 18 cents to the GDP dollar. Direct taxes effort averaged nine cents to the GDP dollar, as used in column three. Cumulatively, the average direct and indirect tax effort was 27 percent between 1979 and 1987. In the notation of R.J. Chelliah [1971: 258], what we observed is that the degree of control the governments of the OECS exercised over the disposition of purchasing power of the economies was an average of 27 percent.

Columns four and five of Table Four show the marginal tax rates of indirect taxes and direct taxes. Following Chelliah [1971: 261] we contend that the marginal tax rate delineates the concept of the proportion of the additional Gross Domestic Product marshalled by the public sector. Between 1979-1987, the OECS marshalled approximately 20 percent of indirect tax for its use; simultaneously 8 percent of the additional GDP was marshalled via direct taxes. Thus, the average tax rate and the marginal tax rates - as far as indirect taxes and direct taxes are concerned - are almost equal: 27 percent and 28 percent, on average.

In columns six and seven of Table Four, we present the elasticity or buoyancy coefficients for indirect taxes and direct taxes. The BITE (Buoyancy of Indirect Taxes) averaged 1.07. This was slightly elastic. The Tax System is slightly responsive to changes in GDP or income as we are using the term. Specifically, a 1.07 percent change in indirect taxes was associated with a one percent change in income. With regards to direct taxes, the elasticity was inelasticity. Here, a one percent change in income was associated with a .86 percent change in direct taxes.

From Table Four we observe three years in which the indirect tax was above the norm. For the marginal indirect tax, 1984, 1986 and 1987 seemed unusually high. In the case of marginal direct tax, 1983, 1984 and 1985 seemed above the norm. Following the Grenada "episode" in 1983 there were discontinuous quantum jumps in the indirect and direct taxes. In a sense these jumps may be placed under the rubric of irregular features from the point of view of a time series.

In the case of BITE there were three very responsive rates for the years 1984 (1.66%), 1986 (2.25%) and 1987 (1.87%). BDIE had three very responsive rates: 1983 (1.51%); 1984 (2.16%) and 1985 (2.16%)

Debt and Development

Let us now turn our attention to the debt structure in the OECS countries and its relationship to GDP. In Table Seven we illustrate the Debt-to-GDP ratio, the change in debt relative to the change in GDP and finally we show the elasticity of debt vis-a-vis GDP. From the Table we observe that over the period of analysis, the Debt-to-GDP ratio averaged .32. Perhaps, it was this ratio which led Calrence Ellis and Arthur Williams (1985) to contend that the debt burden in the OECS is modest. But while they argued that the debt burden in the OECS was modest, they noted that the traditional measures of relative debt service to export ratios are illusory in the sense that the OECS has a rosy picture that does not square with the underlying reality of the economies. They conclude, rightly so, that the OECS is best characterized by exogeneous instability, underveloped capital markets, and the rest. In this case, the incidence of debt adjustment falls on the fiscal sector of the states --in this instance, this burden falls on the public sector.

The slope of debt to GDP is indicated in column three of Table Seven. There we observe that the slope averaged .42 over the period. The change in the debt level to the change in GDP moved from a low of .14 in 1984-85 to a high of .96 in 1982. The period 1980/1981 to 1982/1983 was a particularly high marginal debt rate to GDP. No doubt this period was a reflection of the external crisis in Oil and the attendant perturbations which impacted on the the economies of the OECS.

Given that the slope is an unreliable indicator, we next turned to the elasticity of Debt-to-GDP. By and large, the sensitivity od Debt to changes in GDP was inelastic; specifically, in the period 1979-1987, a one percent change in GDP brought about a .13 percent change in Debt. Once again, the years 1980/1981 through 1982/1983 were the troublesome years. Over that sub-period the elasticity averaged .25 as opposed to the overall average of .13. Since 1982/83 there has developed a definite effort to control the debt sensitivity to GDP. This is evidence in the low inelasticity over the lattter period.

Conclusion

In the final analysis, when we consider the financial structure and eonomic development in the OECS over the period 1979 to 1987, we note that there are no significant genetic defects in the method of financing the economies vis-a-vis the long-term survivability of the economies. If we perceive the economies as organic entities whose objectivities are survival, growth and development, it is possible to argue that some development took place in the countries over the last nine years. The nature of the financial system, though, presents no evidence of major departures from the traditional system of finance for economic development. There are no clear cut policies of the political directorate, stemming from financial structures, which suggest a bonafide departure for the traditional line of public finance of the Keynesian line.

We note that there is no long-term. strategic planning which is oriented to orchestrating new lines of development. Yet, amidst this low-keyed approach to development we claim that there was development. What is the genesis of our argument? By and large, our positive argument derives from the manner in which the OECS has depended on external assistance to prop up their economies. The principal tax structures of direct tax and indirect tax do not seem to be the burden carriers of revenue enhancement as one would normally think. The imperatives of the present in the OECS seem to appear to constrain and demarcate the performance of the future. Foreign aid from mulinational agencies and local aid from the Caribbean Central Bank and an easy credit policy of the ECCB tend to shield the economies from the harshness of the international economic environment. The dependence on external financing has been designated the "disassociation factor" in our earlier work (Jones-Hendrickson, 1978). Development has taken place in the OECS but the development is disassociated from the internal own-effort as is exemplified in the indirect anf direct efforts. While the debt burden seems to be moderate, the dependence of the OECS on external financing collapses the degrees of freedom of the countries from a long-term planning perspective.

In the OECS, survival over the long run is what is crucial. It is this nature of survival that is central to an understanding of the relevance of the type of financial structures which exist in the area. The region depends on non-tax revenues to complete the revenue picture. The non-tax revuenes are amorphous taxes which tend to foster short-run planning, and sometimes permit the development of strategies and discretionary tactics and policies which are wedded to the politico-economic environment. Two cases in point are the Antiguan and St. Kitts-Nevis cases where personal income tax was abolished for political reasons but where non-tax revenues are being forced to pick up the slack. Financial structures and clear planning are inviolate parameters which must be seen and perceived as preconditions for sustained growth. But when debt, particularly external debt is a cause of concern, the Ricardian theorem of equivalence comes to the fore. As Tobin (1981) and Barro (1974) have shown, from the Ricardian equivalence theorem, most people do not perceive of public debt as net wealth. The people see the government debt as a mill around the necks of the future generations.

This long-term perspective of the seeing of debt as a mill around the necks of future generations is, for the most part, an accounting notation. The majority of the people on the OECS do not seriously incoporate the idea of the burden of the public debt in their horizon of concerns. In the OECS the public sector has skillfully linked private saving, government saving and net foreign borrowing, and has paraded them as gross investment. This is true in an ex post sense. It is not always true in an ex ante sense. So, while the development path in the OECS has moved away from the Harrod-Domar type of economic growth and the neo-classical growth development scenarios, the production functions in the OECS still substantively depend on what external investment is earmarked for development in the region. The upshot of this drama is the fact that sometimes the investment activities in the region become skewed to programs and plans that are of moment in the the planning horizons of the donor agencies. In the 1960's the USA gave money to the region for Secondary School education. Secondary School education entered the investment plans of the region, like a thief in the night, even before the political directorate had an opportunity to evaluate the full long-term ramifications of such an educational investment.

Within the last few years, the emphasis in the region has been on the eradication of illegal drugs, the training of police and other para-military and customs to eradicate drugs, and the training of personel in counter-revolutionary tactics. Few will disagree that some of these measures are necessary. Necessary though they may be, they are not sufficient for economic development and transformation. In a nutshell, within recent years, there is an external drive to get the OECS and other Caribbean countries to engage in a financial structure that makes drug eradication and high police visibility a permanent part of the budget. The question that springs forth from this orientation is this, whose benefits are being served? Is such a financial structure beneficial to the local people or is such a system protective of the political directorate and the international community?

Finally, it is safe to say that over the last nine years, the member countries of the OECS have experienced some growth stemming directly and indirectly from the nature and character of the financial structure in vogue. There is a growth-oriented adjustment-like system in train in the region. The growth-oriented system that we perceive does not depend on own resources enough. As a consequence, the region depends on the foreign market for a significant proportion of the necessary capital to drive the engine of growth. It is our view that if the domestic economic policies are to succeed, and lead to long-term structural change and transformation, the OECS member states will have to do more to marshall their own-effort resources and minimize the heavy reliance on external resources. The traditional financial structures have a built-in tendency to crisis, in the limit. That crisis must first be locally stabilized and then globally stabilized. Some countries are way below the OECS averages in some performance indicators in the financial areas. If the crisis is stabilized locally, that is, within countries, then the crisis could be stabilized globally, that is within the OECS as an economic and political entity. Unless there are changes in the financial structures to ensure stability in revenues, short-run and long run resource allocation will be difficult to implement with any level of certainty. This does not mean that the economies will not experience levels of growth. A significant proportion of the growth would stem from external preconditions and not from internal conditions. A strong financial structure can reinforce economic stability, enhance growth and usher in efficiency in the economic system. The politcal-economic caveats must be advanced, however, when one operates in an international environment where it is assumed that small size is sometimes a nuisance, and that viability and sovereignity can be surreptitiously encased in hegemonic circles.

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TABLE ONE

IINDIRECT TAXES [EC $M]

	1979	80	81	82	83	84	85	86*	87*
Antigua	31.7	40.6	46.9	47.9	46.8	55.0	61.2	93.3	101.5
Dominica	19.6	28.3	25.8	31.5	35.3	44.4	43.4	48.0	53.2
Grenada	38.4	37.3	37.8	46.7	49.3	53.2	60.9	62.1	65.6
St. Kitts	22.8	26.1	30.5	21.5	24.5	29.9	24.3	29.0	35.4
St. Lucia	44.5	40.5	47.0	48.8	51.6	60.2	69.7	80.2	93.1
St.Vincent	24.9	24.2	28.1	37.0	42.0	45.2	51.6	58.2	64.5
Montserrat	5.3	5.8	5.2	5.6	6.5	6.3	6.6	7.8	9.5

Source: ECCB, Economic Financial Reviews

OECS, National Account Digests
Central Bank of Barbados, Annual Statistical Digests

* Estimated

TABLE TWO

DIRECT TAXES IN THE OECS, 1979-1987 [EC $M]

Countries	1979	80	81	82	83	84	85	86	87
Antigua	17.7	22.7	26.2	26.8	32.4	38.1	53.0	58.5	56.7
Dominica	8.3	14.8	15.9	16.6	18.8	22.5	25.9	29.1	33.0
Grenada	19.7	15.6	15.7	19.1	19.9	22.7	30.3	31.5	33.2
St. Kitts	7.3	5.9	4.1	5.1	4.7	5.8	6.6	5.8	7.7
St. Lucia	22.0	21.4	24.9	25.8	27.3	31.9	36.8	33.6	35.3
St. Vincent	11.4	11.0	12.9	17.0	19.3	26.6	23.2	26.9	26.4
Montserrat	3.7	4.6	4.1	4.4	5.1	5.0	6.1	6.5	6.5

Sources: ECCB, Economic and Financial Reviews
Central Bank of Barbados, Annual Statistical Digests
OECS, National Account Digests

*Estimated

TABLE THREE

GDP AT FACTOR COST [EC$M]

	1979	80	81	82	83	84	85	86	87*
Antigua	206.0	247.8	274.5	295.7	331.3	369.3	409.3	466.6	513
Dominica	105.8	143.7	153.0	162.6	175.8	190.3	213.9	228.8	244.8
Grenada	160.0	169.7	200.5	216.2	222.2	243.3	259.5	278.1	297.8
St.Kitts	89.3	105.4	126.1	139.4	139.5	148.6	155.6	168.4	182.2
St.Lucia	233.7	264.6	293.8	314.6	328.5	348.2	388.8	418.0	438.9
St. Vin	118.0	133.5	168.4	186.8	202.2	216.8	232.0	235.0	238.1
Mon	38.0	59.6	64.1	71.0	76.0	84.2	90.7	102.8	110.0

Source: ECCB Economic & Financial Reviews
Central Bank of Barbados, Annual Statistical Digests
OECS National Account Digests

*Estimated

TABLE FOUR

Tax Effort, Marginal Rate and Bouyancy
in the OECS, 1979-1987

Years	ITE	DTE	MITR	MDTR	BITE	BDTE
1979	.20	.10	-	-	-	-
1980	.18	.09	.09	.03	.48	.32
1981	.17	.08	.12	.05	.64	.54
1982	.17	.08	.17	.01	.89	.11
1983	.17	.09	.19	.14	1.02	1.51
1984	.18	.10	.31	.20	1.66	2.16
1985	.18	.10	.16	.20	.86	2.16
1986	.20	.10	.42	.07	2.25	.76
1987	.21	.10	.35	.05	1.87	.54
Average	.18	.09	.20	.08	1.07	.86

ITE = Indirect Tax Effort..................IDT/Y
DTE = Direct Tax Effort...................DT/Y
MITR = Marginal Indirect Tax Rate...(change IDT/change in Income).
MDTR = Marginal Direct Tax..........(change DT/change in Income).
BITE = Bouyancy of Indirect Tax - Elasticity-The percentage change in Indirect Tax relative to the percentage change in Income.

BDTE = Buoyancy of Direct tax - Elasticity - The percentage change in Direct Tax relative to the percentage change in Income.

TABLE FIVE

OECS EXTERNAL PUBLIC DEBT OUTSTANDING
(at year end in US MIllions)

	1975	76	77	78	79	80	81	82	83	84
Antigua	18.3	17.2	18.1	21.2	31.0	33.6	46.7	51.5	53.5	51.1
Dominica	6.8	7.7	10.2	12.2	15.2	17.7	24.1	34.3	40.1	42.7
Grenada	4.2	4.7	5.8	7.4	10.3	11.6	18.0	26.8	40.7	42.1
Montserrat	0.1	0.3	0.5	0.9	1.1	1.5	2.0	2.4	2.6	2.9
St.Kitts/Nevis	5.3	5.4	4.8	5.1	6.6	10.5	11.9	12.5	13.6	15.8
St.Lucia	1.0	2.0	8.0	10.5	14.2	15.7	18.9	24.0	31.2	31.2
St.Vincent/ Grenadines	1.8	2.9	2.0	9.7	11.8	14.3	17.4	18.9	20.5	24.4
Total	37.5	40.3	49.4	67.0	90.2	104.9	139.0	170.4	202.2	210.2

Sources: Inter-American Development Bank (1984); Ellis and Williams (1985) World Bank Country Reports (1979 and (1985) for Antigua and Barbuda, Dominica, Grenada Montserrat, St. Christopher and Nevis, St. Lucia and St. Vincent and the Grenadines

TABLE SIX

COMPARATIVE OECS DATA

	INDTAX	DTAX	GDP	DEBT
1979	187.2	90.6	950.8	243.5
1980	202.8	96.0	1124.3	283.2
1981	221.3	103.8	1280.4	375.3
1982	239.0	114.8	1386.3	460.1
1983	256.0	127.5	1475.5	545.9
1984	294.2	152.6	1600.7	567.5
1985	317.7	181.9	1749.8	588.8
1986	379.1	192.8	1897.8	617.7
1987	422.8	198.9	2024.8	646.5

Source: See Table One.

Note: Data for Debt, 1985-87 were estimated.

TABLE SEVEN

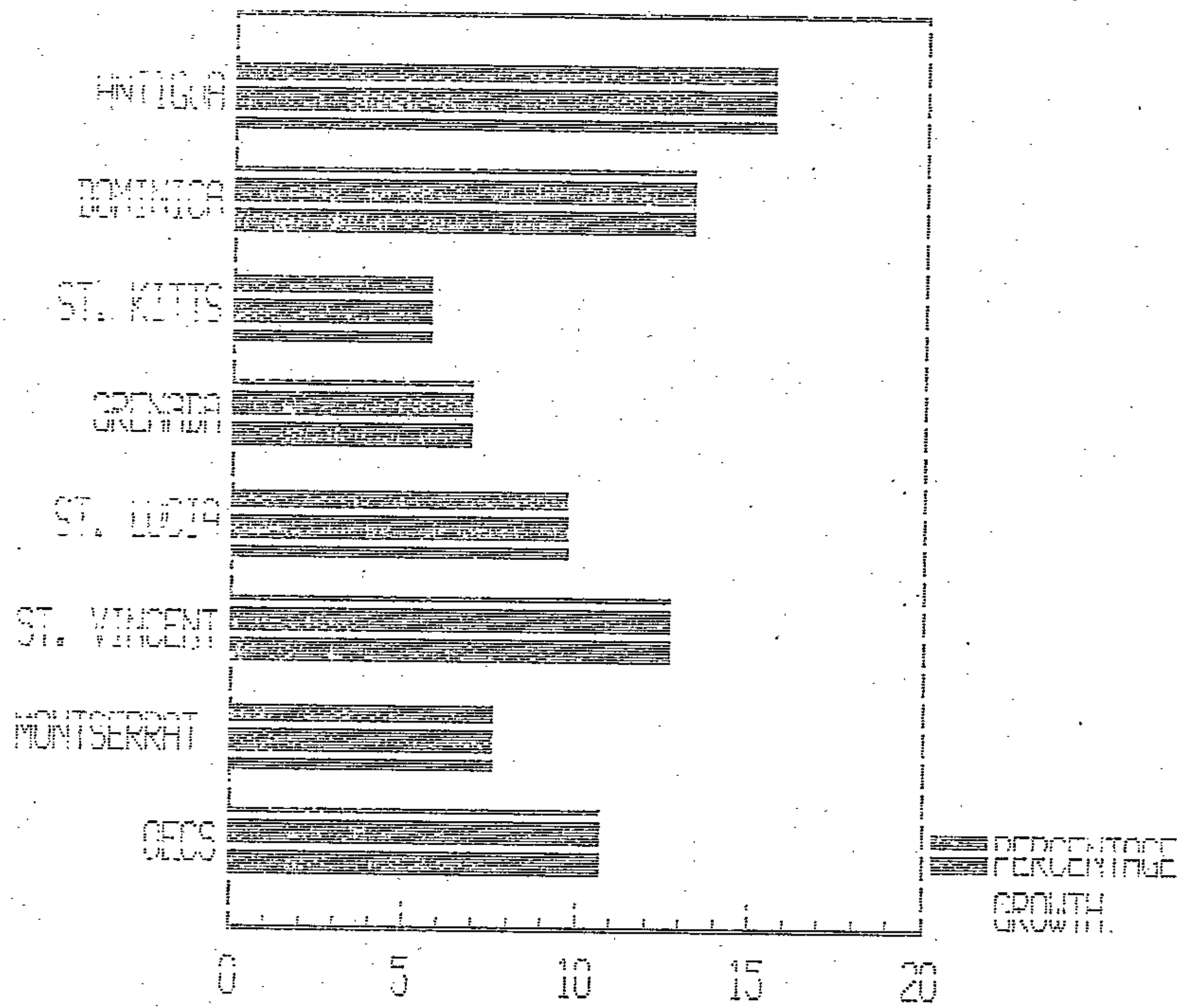
OECS DEBT TO GDP RATIO, SLOPE AND ELASTICITY

	DEDT/GDP	SLOPE	ELASTICITY
1979	.26	–	–
1980	.25	.23	.07
1981	.29	.59	.19
1982	.33	.80	.26
1983	.37	.96	.31
1984	.35	.17	.05
1985	.34	.14	.05
1986	.33	.20	.06
1987	.32	.23	.07

Source: See Table One.

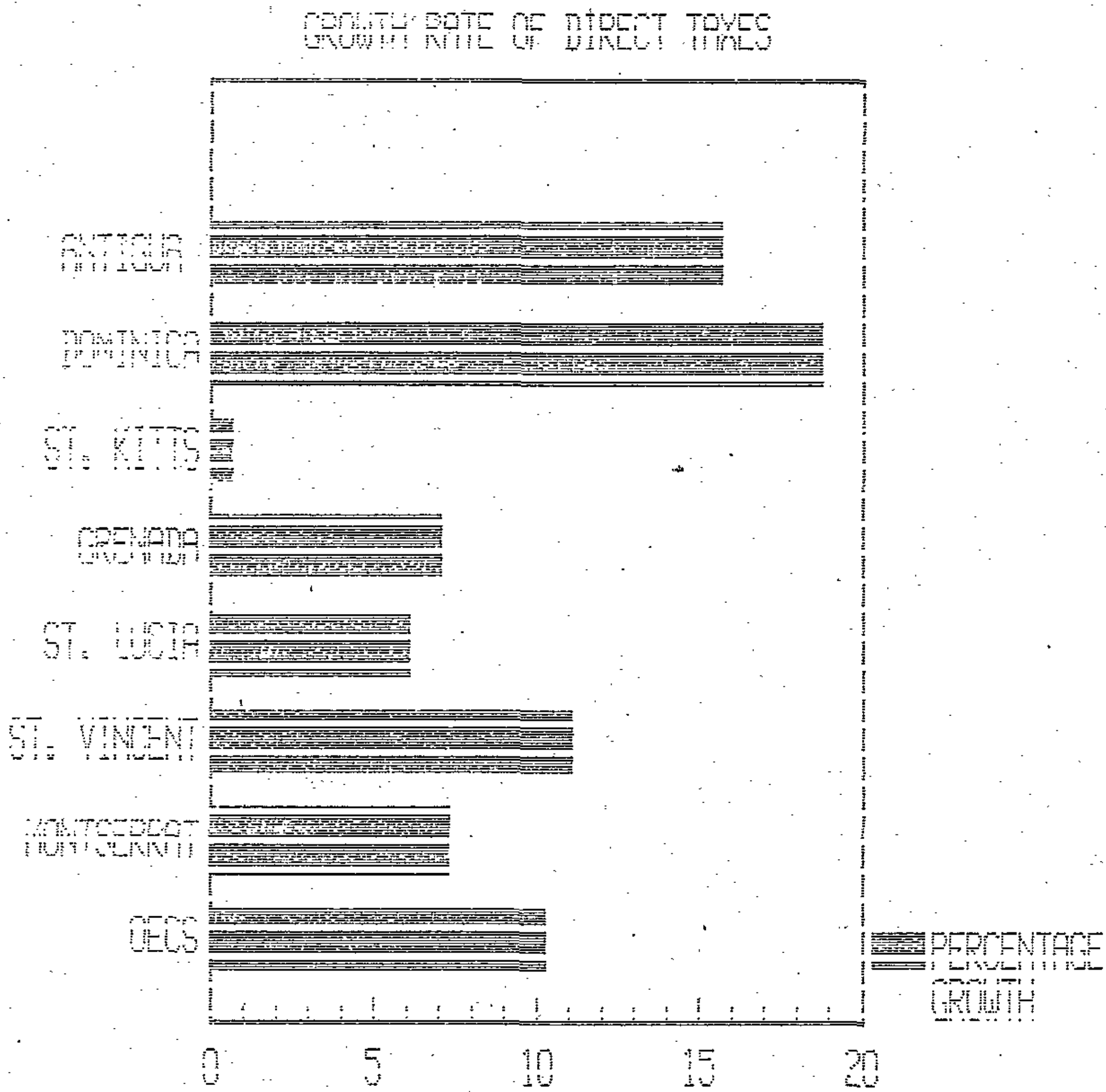
GRAPH ONE

GROWTH RATE OF INDIRECT TAXES

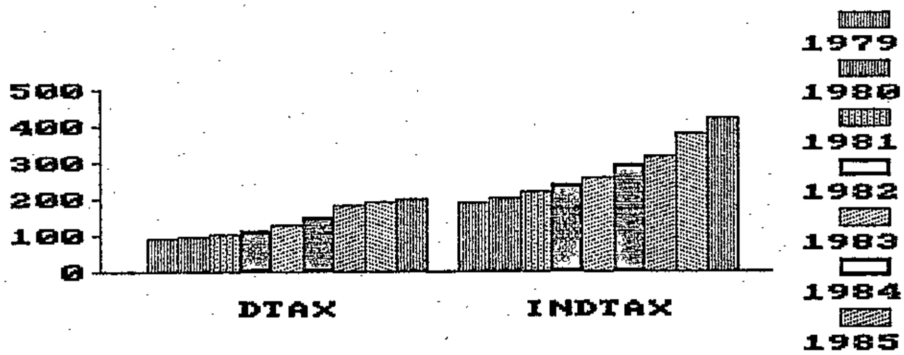


SOURCE: SEE TABLE 2

GRAPH TWO


GROWTH RATE OF DIRECT TAXES
ANTIGUA
DOMINICA
ST. KITTS
GRENADA
ST. LUCIA
ST. VINCENT
MONTSERRAT
OECS
PERCENTAGE GROWTH
0
5
10
15
20

GRAPH THREE


500
400
300
200
100
0
DTAX
INDTAX
1979
1980
1981
1982
1983
1984
1985

OECS - 38

GRAPH FOUR