

T H E
R E V I E W
O F



*The Institute
for Economic Freedom*

1996 • No. 1

Fifty Years of Socialism

The Road to Serfdom

by F.A. Hayek

Capitalism and Freedom

by Milton Friedman

The Soviet Tragedy

by Martin Malia

Politics and Business in the Bahamas

by The Tribune

PREFACE

The Institute for Economic Freedom is a non-political independent Bahamian economic research and educational institute that promotes economic growth, employment and entrepreneurial activity. It advocates a free market economy as the best way both to meet the material needs of a country and enhance a decent society. In the end, the Institute seeks a commercial society based on individual freedom, but a society where law, family and religion foster the virtues of self-control, commitment and good will.

For additional copies of this publication write or call -

**The Institute
for
Economic Freedom**

P O Box N-1688
Nassau, Bahamas

Telephone: (809) 322-6300
Fax: (809) 322-1361

CONTENTS

FIFTY YEARS OF SOCIALISM

Page

INTRODUCTION		<i>1</i>
As Viewed In		
1944	THE ROAD TO SERFDOM <i>by</i> F A Hayek	<i>3</i>
1962	CAPITALISM AND FREEDOM <i>by</i> Milton Friedman	<i>7</i>
1994	THE SOVIET TRAGEDY <i>by</i> Martin Malia	<i>10</i>
1989-96	POLITICS AND BUSINESS IN THE BAHAMAS <i>by</i> The Tribune	<i>14</i>
CONCLUSION		<i>22</i>

INTRODUCTION

In August 1992 the Bahamian people did the unexpected, at the ballot box they ended an era. It is easy to consider that era solely in Bahamian terms. However, its political leaders, as in all preceding eras, were educated primarily in Europe and the United States. Their policies and programs in part reflected values learned there. As elsewhere the Bahamas is changing; and it is helpful to any one seriously interested in politics to examine the last fifty years.

In 1944 World War II was ending. Three totalitarian governments were defeated in battles of unbelievable ferocity; Russia and the United States reached unprecedented levels in heavy industrial production; and socialism, with Russia as the colossal leader on the Left, seemed triumphant. The great democracies of the United States and Great Britain were threatened by the specter of another Great Depression. The accepted scenario of political development was the passage from feudalism to capitalism--to socialism.

The struggle between free market capitalism and socialism is the subject of this Review. It includes selections from the work of Friedrich Hayek who in 1944 wrote the seminal work, The Road to Serfdom. According to Walter Williams, the "people's economist", this book "is the most powerful, yet-to-be-refuted argument that fascism, communism, and socialism are kindred forms of collectivism whose survival critically depends on the undermining of private property rights, rule of law, limited government, and other institutions that make liberty possible."¹

¹ Walter E. Williams, Do the Right Thing: The People's Economist Speaks, Hoover Institution Press, Stanford University, 1995, p. 51.

Twenty years later Milton Friedman wrote Capitalism and Freedom at a time when Soviet Socialism seemed invincible; and Martin Malia in 1994 chronicled its amazing death. Recent Bahamian history is viewed through the eyes of the Nassau Tribune.

Selections from these works are reproduced in their original text.

THE ROAD TO SERFDOM

by

F A Hayek²

...the only alternative to submission to the Impersonal and seemingly Irrational forces of the market is submission to an equally uncontrollable and therefore arbitrary power of other men.

It was men's submission to the impersonal forces of the market that in the past has made possible the growth of a civilization which without this could not have developed;

It is by thus submitting that we are every day helping to build something that is greater than any one of us can fully comprehend.

It does not matter whether men in the past did submit from beliefs which some now regard as superstitious: from a religious spirit of humility or an exaggerated respect for the crude teachings of the early economists.

The crucial point is that it is infinitely more difficult rationally to comprehend the necessity of submitting to forces whose operation we cannot follow in detail than to do so out of the humble awe which religion, or even the respect for the doctrines of economics, did inspire.

...The refusal to yield to forces which we neither understand nor can recognize as the conscious decisions of an intelligent being is the product of an incomplete and therefore erroneous

² F.A.Hayek, The Road to Serfdom, Fiftieth Anniversary Edition, Chapter 14, "Material Conditions and Ideal Ends." Copyright 1994 owned by The University of Chicago. Abridged with permission of The University of Chicago Press, Chicago 60637.

rationalism. It is incomplete because it fails to --

Comprehend that the co-ordination of the multifarious individual efforts in a complex society must take account of facts no individual can completely survey...

See that, unless this complex society is to be destroyed, the only alternative to submission to impersonal and seemingly irrational forces of the market is submission to an equally uncontrollable and therefore arbitrary power of other men.

In his anxiety to escape the irksome restraints which he now feels, man does not realize that the new authoritarian restraints which will have to be deliberately imposed in their stead will be even more painful.

...the main condition for [economic] progress is that we should all be ready to adapt ourselves quickly to a very much changed world...

Our hopes of avoiding the fate which threatens must indeed to a large extent rest on the prospect that we can resume rapid economic progress...the main condition for such progress is that

We should all be ready to adapt ourselves quickly to a very much changed world...

No considerations for the accustomed standard of particular groups must be allowed to obstruct this adaptation...

We learn once more to turn all our resources to wherever they contribute most to make us all richer.

The adjustments that will be needed if we are to reach and surpass our former standards will be greater than any similar adjustments we had to make in the past; and only if every one of us is ready individually to obey the necessities of this readjustment shall we be able to get through a difficult period as free men who can choose their own way of life.

Let a uniform minimum be secured to every body by all means...

Let us admit at the same time that with this assurance of a basic minimum all claims for a privileged security of particular classes must lapse, that all excuses disappear for allowing groups to exclude newcomers from sharing their relative prosperity in order to maintain a special standard of their own.

Only where we ourselves are responsible for our own interests and are free to sacrifice them has our decision moral value.

Issues in this field have become so confused that it is necessary to go back to fundamentals. What our generation is in danger of forgetting is --

Not only that morals are of necessity a phenomenon of individual conduct

But also that they can exist only in the sphere in which the individual is free to decide for himself and is called upon voluntarily to sacrifice personal advantage to the observance of a moral rule...Only where we ourselves are responsible for our own interests and are free to sacrifice them has our decision moral value.

We are neither entitled to be unselfish at someone else's expense nor is there any merit in being unselfish if we have no choice. The members of a society who in all respects are *made* to do the good thing have no title to praise...

Freedom to order our own conduct in the sphere where material circumstances force a choice upon us, and responsibility for the arrangement of our own life according to our own conscience, is the air in which alone moral sense grows and in which moral values are daily re-created in the free decision of the individual.

Responsibility, not to a superior, but to one's conscience, the awareness of a duty not exacted by compulsion, the necessity to decide which of the things one values are to be sacrificed to others, and to bear the consequences of one's own decision, are the very essence of any morals which deserve the name.

[Collectivism] whose main promise is the relief from responsibility cannot but be anti-moral in its effect, however lofty the ideals to which it owes its birth.

That in this sphere of individual conduct the effect of collectivism has been almost entirely destructive is both inevitable and undeniable. A movement whose main promise is the relief from responsibility cannot but be anti-moral in its effect, however lofty the ideals to which it owes its birth...

There is one aspect of the change in moral values brought about by the advance of collectivism which at the present time provides special food for thought. It is that the virtues which are held less and less in esteem and which consequently become rarer are precisely those on which Anglo-Saxons justly prided themselves...

Independence and self-reliance, individual initiative and local responsibility, the successful reliance on voluntary activity, noninterference with one's neighbor and tolerance of the different and queer, respect for custom and tradition, and a healthy suspicion of power and authority.

Almost all the traditions and institutions in which democratic moral genius has found its most characteristic expression...are those which the progress of collectivism and its inherently centralistic tendencies are progressively destroying.

CAPITALISM AND FREEDOM

by

Milton Friedman³

It is no longer necessary to compare the market as it actually operates and government intervention as it ideally might operate. We can compare the actual with the actual.

In the 1920's and the 1930's, intellectuals in the United States were overwhelmingly persuaded that capitalism was a defective system inhibiting economic well-being and thereby freedom, and that the hope for the future lay in a greater measure of deliberate control by political authorities over economic affairs. The conversion of the intellectuals was not achieved by the example of any actual collectivist society, though it undoubtedly was much hastened by the establishment of a communist society in Russia and the glowing hopes placed in it. The conversion of the intellectuals was achieved by a comparison between the existing state of affairs, with all its injustices and defects, and a hypothetical state of affairs as it might be. The actual was compared with the ideal.

At the time, not much else was possible. True, mankind had experienced many epochs of centralized control, of detailed intervention by the state into economic affairs. But there had been a revolution in politics, in science, and in technology. Surely, it was argued, we can do far better with a democratic political structure, modern tools, and modern science than was possible in earlier ages.

The attitudes of that time are still with us. There is still a

³ Milton Friedman, Capitalism and Freedom, Chapter XIII "Conclusion." Copyright owned by The University of Chicago. Abridged with permission of The University of Chicago Press.

tendency to regard any existing government intervention as desirable, to attribute all evils to the market, and to evaluate new proposals for government control in their ideal form, as they might work if run by able, disinterested men, free from the pressure of special interest groups. The proponents of limited government and free enterprise are still on the defensive.

Yet, conditions have changed. We now have several decades of experience with governmental intervention. It is no longer necessary to compare the market as it actually operates and government intervention as it ideally might operate. We can compare the actual with the actual.

If we do so, it is clear the difference between the actual operation of the market and its ideal operation -- great though it undoubtedly is -- is as nothing compared to the difference between the actual effects of government intervention and their intended effects. Who can now see any great hope for the advancement of men's freedom and dignity in the massive tyranny and despotism that hold sway in Russia? Wrote Marx and Engels in *The Communist Manifesto*: "The proletarians have nothing to lose but their chains. They have a world to win." Who today can regard the chains of the proletarians in the Soviet Union as weaker than the chains of the proletarians in the United States, or Britain or France or Germany or any Western State?

The mere decline, therefore, of faith in self-help...is of itself sufficient to account for the growth of legislation tending towards socialism.

Why is it, in light of the record, that the burden of proof still seems to rest on those of us who oppose new government programs and who seek to reduce the already unduly large role of government? Let Dicey answer: "The beneficial effect of State Intervention, especially in the form of legislation, is direct, immediate, and, so to speak, visible, whilst its evil effects are gradual and indirect, and lie out of sight...Nor...do most people

keep in mind that State inspectors may be incompetent, careless, or even occasionally corrupt...; few are those who realize the undeniable truth that State help kills self-help. Hence the majority of mankind must almost of necessity look with undue favor upon governmental intervention. This natural bias can be counteracted only by the existence, in a given society, ...of a presumption or prejudice in favor of individual liberty, that is, of laissez-faire. The mere decline, therefore, of faith in self-help--and that such a decline has taken place is certain--is of itself sufficient to account for the growth of legislation tending towards socialism."⁴

The preservation and expansion of freedom [is] today threatened [by] men of good intentions and good will who wish to reform us...Concentrated power is not rendered harmless by the good intentions of those who create it.

The preservation and expansion of freedom are today threatened from two directions.

The one threat is obvious and clear. It is the external threat coming from the evil men in the Kremlin who promise to bury us.

The other threat is far more subtle. It is the internal threat coming from men of good intentions and good will who wish to reform us. Impatient with the slowness of persuasion and example to achieve the great social changes they envision, they are anxious to use the power of the state to achieve their ends and confident of their own ability to do so. Yet if they gained the power, they would fail to achieve their immediate aims and, in addition, would produce a collective state from which they would recoil in horror and of which they would be among the first victims. Concentrated power is not rendered harmless by the good intentions of those who create it.

⁴ A. V. Dicey, Law and Public Opinion in England, second edition, London, Macmillan, 1914, p 25.

THE SOVIET TRAGEDY

by

Martin Malia⁵

[The Perverse Logic of Utopia.] Socialism originates in a moral idea--equality--and culminates in a practical program--the end of private property and the market.

For, if one is ruthlessly logical about the idea of democracy as equality, then one inevitably arrives at the concept of socialism. So long as there are differences of wealth in society, there will be differences of power and status, there will be exploitation of some men by others, and domination of some human beings by other human beings. But any exploitation and subordination are a denial of human dignity, a profanation of the sacred person of Man. Inequality, therefore, is dehumanization, and thus a moral scandal that must be ended if the world is to become truly civilized.

The means to do this is the social appropriation of individual wealth, and this is the core instrumental program of integral socialism. As Marx put it in *The Communist Manifesto*: "The theory of the Communists may be summed up in the single phrase: Abolition of private property." From this it follows that the fruit of private property--profit--and the means for realizing this profit--the market--must also be abolished. With this, the maximalist formula of socialism is complete: Socialism originates in a moral idea--equality--and culminates in a practical program--the end of private property and the market. Anything short of this is something less than full or integral socialism.

⁵ Martin Malia, THE SOVIET TRAGEDY: A History of Socialism in Russia, 1917-1991, Chapter 13. Copyright owned by Martin Malia. Abridged with permission of The Free Press, a Division of Simon & Schuster.

So until [August 1991], the integral socialism of the Communists was the gold standard for all the lesser breeds of socialism in the West, and it turned out that the more these latter were democratic and evolutionary politically, the less they realized the socialist economic program.

But this maximalist program of socialism as full non-capitalism has always proved impossible to implement without a shattering revolution. So in practice the socialist movement has usually settled for more modest goals and for evolutionary methods. And it is this, of course, that has led to the already-noted gamut of programs--from progressive taxation to a universal welfare state--that also claim the title "socialist" and that have so confused the debate about its "true" meaning...

Throughout the nineteenth century, socialism had been a moral idea, a movement of opposition and protest. It was only with the Bolshevik October [1917 Revolution] that socialism crossed the threshold from movement to society. It was only then that democratic forces were able to test the proposition that abolition of private property and the market would produce the moral world of equality and the full humanization of man. And the verdict in this matter was not clearly rendered until [August 1991]. So until then, the integral socialism of the Communists was the gold standard for all the lesser breeds of socialism in the West, and it turned out that the more these latter were democratic and evolutionary politically, the less they realized the socialist economic program. They were therefore chronically as overawed by the Soviets' bold results as they were disturbed by their brutal methods. Soviet socialism by getting there first, thus defined discourse until the great crash of 1989-1991.

**If in the end Communism collapsed like a house of cards,
it was because it had always been a house of cards.**

..the collapse of [Communism in] 1989-1991 was truly amazing: Indeed, nothing about Communism ever astounded the world so much as the manner of its exit from history. One of the world's two superpowers imploded without its guardians offering any serious resistance to the debacle. The most militant political movement of the modern age, which in its time had made a career of armed insurrection and minority coups d'etat, at the end proved capable only of the pitiful farce of August 1991...

...After an initial burst of economic expansion under Stalin, Communism thereafter yielded progressively diminishing returns. At the same time, the brutal results of the instrumental program increasingly belied the original moral inspiration. Thus, no sooner had socialism been built in the 1930s than the Myth on which it was founded was transformed into the Lie. Then, with creeping economic decline and the moral failure of the regime during the long years after Stalin, the credibility of the ideology evaporated; and without the prop of ideology, the Party's will to coerce eroded.

By the time of Gorbachev, this erosion permitted a nascent civil society to challenge the Party's hegemony. So when the apparat's inevitable attempt to roll back reform was made in August 1991, it was defeated ignominiously, and the whole decrepit structure collapsed in three days.

For it had always been only a question of time before the internal contradictions of the impossible undertaking of "building socialism" worked themselves out to a total discrediting--and hence the brusque implosion--of the system. If in the end Communism collapsed like a house of cards, it was because it had always been a house of cards.

[The Legacy.] At the same time...there emerged an astonishing worldwide consensus that the market and private property were indispensable features of any functioning economy...

There has already been a major move to revisionism on the Left with regard to the key matters of centralized planning and nationalization. With hardly any soul-searching Western and Third World socialist parties suddenly dropped their advocacy of such measures.

At the same time, in the wake of 1989-1991, and almost overnight and without debate, there emerged an astonishing worldwide consensus that the market and private property were indispensable features of any functioning economy; that they were indeed the basis of constitutional democracy and the rule of law; and that this amalgam constituted the natural order of civilized modernity. To be sure, there were as we have seen, degrees of acceptance of the market and private property, since some social thinkers held out for a "centrist" course in liquidating Communism, as if in the hope that the ever elusive "third way" might yet emerge from its wreckage. But after crash of 1989-1991, almost no one would any longer deny property and market outright.

Thus the Great Depression syndrome regarding "capitalism" was largely overcome;...Friedrich Hayek's contention that integral socialism was a form of neoserfdom seemed essentially vindicated. Clearly, an epoch in the history of social thought was now closed.

POLITICS AND BUSINESS

IN THE BAHAMAS

by

The Tribune⁶

Retribution in Freeport⁷

In 1968 New England Petroleum and Standard Oil of California started constructing the \$60 million Bahama Oil Refinery Company (BORCO) at Grand Bahama. It was described as the largest oil refinery ever built "from scratch." By July, 1969 the refinery was ready for inspection. For the occasion over 150 US industrialists and business men, all potential investors, arrived for the important day. Pressmen, both local and foreign, were there to record Freeport's entry into big time industry. Prime Minister Pindling was invited as the principal guest. Freeport -- and by extension Grand Bahama -- was about to spread its wings.

Over 200 persons gathered for lunch in the King's Inn. Prime Minister Pindling rose to speak. And right there and then he dropped his bombshell into everyone's soup.

Bahamians in Freeport, he said, were still the "victims of an unbending social order, which if it now refuses to bend, must be broken."

There might well have been a social problem in Freeport, but that was not the time to wash local dirty linen in front of so many foreign guests.

⁶ The Tribune, a daily newspaper published by The Tribune Limited, Eileen Dupuch Carron, Editor, P O Box N-3207, Nassau, Bahamas.

⁷ An Editorial, "Left-footed Prime Minister", February 16, 1989

He accused Freeport of lacking "soul." He said there was an "absence of honest concern for the human and social needs of people...

"As we form new partnerships in the development of the Bahamian economy, as we strive toward developing a truly fine mixed Bahamian society, let me emphasize there is room for all men of goodwill. There is no room for the rest," he told the visitors.

The startled guests choked through the rest of the meal. Uneasy pleasantries were exchanged as Freeporters reeled from the shock. One oil executive, interviewed by The Tribune, said that as a result of the Prime Minister's "sort Freeport out" speech he was returning to the States to advise his company to locate its branches elsewhere.

Mr Daniel K Ludwig, the only American among the "Golden Greeks," the group of four who at that time controlled the world's shipping lanes, was one of the early investors in Freeport. It was his company that constructed Freeport's harbour.

Mr Ludwig was troubled. He flew to Nassau. He wanted to know how to interpret the shock waves that had just upset his sensitive antennae. He was a man of good will, but he was not used to being talked to in such tones -- especially at what was meant to have been a welcoming lunch. He returned to Freeport, but soon he quietly folded his tent and disappeared from the scene. Others followed. Freeport was broken.

Investors, Vultures and Narco Dollars⁸

At one time the Bahamas was an investors' paradise. Naturally, Bahamians benefitted because employment -- more than they could handle -- was created. In those days the only Bahamians out of work were those who, by nature, had no stomach for it.

In 1967 the Progressive Liberal Party took over the Bahamian

⁸ An Editorial, "What chance has the investor?, April 11, 1991

government and the investment climate started to change. Bahamians wanted a piece of the economic pie. There was nothing wrong, with that, except the manner in which some of them chose to grab that pie all for themselves -- with not so much as a by your leave. It was scandalous.

In those days the immigration laws were used to squeeze foreigners out. And, of course, having to leave in a hurry, the homes, apartments, and businesses of these investors had to be sold -- at sacrifice prices. Of course, greedy, ruthless, unprincipled Bahamian vultures hovered over this human tragedy, waiting and plotting to pick up the spoils...

And then came the decades of the seventies and eighties and with it the drug dealer. These new "investors" seemed to be favoured people. Everyone knows how Joe Leher was protected until the American government exerted a great deal of political muscle. Every Opposition member who dared probe Joe's multi-million dollar drug empire at Norman's Cay was treated like a traitor.

Yes, in those days the drug lord was king. He came and went at will. He needed no work permit, he didn't even have to be a permanent resident. He paid no business license tax. He prospered because he knew the right people. He greased Bahamian palms from the moment he taxied down the runway of some remote island airstrip until his cargo was safely loaded on a cigarette boat for onward passage to the U.S...

The drug smuggler was allowed to destroy this society, and if it were not for NBC Nightly News and the American government, it would not be too far-fetched to suggest that the drug trade would still be the Bahamas' number one industry.

Permits and Licenses⁹

Government has an iniquitous system of permitting you to spend your money on a venture before saying whether it will allow you

⁹ An Editorial, "Government playing with fire", April 12, 1991

to operate it. It seems to be a game. One government body grants a building permit with full knowledge of what the building is to be used for, and then after millions have been spent on construction, another government body -- the Licensing Authority -- delays or withholds the operating license.

Government has pulled this trick over and over again on Bahamians, but now it is trying to be clever with foreigners. This time it is playing with a time-bomb that is going to explode and destroy the country.

Foreigners are encouraged to invest. They are told of unlimited opportunities. They are assured permits will be no problem...in a matter of days everything will be rolling in their direction. They spend millions on a new venture and then their Bahamian contacts go silent. There are no permits. Their lawyers, who have promised so much are now reluctant to take their calls.

They wait in desperation as they see their investment disappearing and their bills mounting. They are frustrated, they are angry and, unlike Bahamians, some of them are going to fight back.

The High Cost of Security¹⁰

At a PLP rally in the Fort Charlotte Constituency on May 23 Bahamians had it from the Prime Minister's own lips the reason for inefficiency and waste in every corporation and department of Government. Said he:

"It is very difficult, almost impossible to fire a civil servant...It is just as difficult to reduce a civil servant's pay. His salary is guaranteed in the Budget and it can't be cut. **Civil servants don't ever get laid off.** Civil servants are never put on short week. 100% of the pensions of civil servants are paid for by the employer without any contribution by the civil servant..."

In other words no one is accountable. These men and women

¹⁰ An Editorial, "Why Bahamians are unemployed", June 3, 1991

own their jobs whether they do them or not. If a civil servant is incompetent in one department, he and his incompetence is recycled to another. This is why the cost of everything is going up; this is why the Bahamian people are hurting; this is why unemployment will increase as businesses cut back to afford the increased costs of maintaining an inefficient and top-heavy government service that never gives value for money.

The Insatiable Glutton¹¹

Sir Lynden [told members of government] of the frustration that Bahamians have with the inefficient bureaucracy, which is of his own government's creation. He claimed that there was little that he could do about it, forgetting, of course, that it was his own party that overstaffed the civil service with unemployed -- and in many instances unemployable -- PLPs.

Having created the monster, he then observed that "our progress is being retarded by a slow and un-responsive bureaucracy which has continued to mushroom in size and complexity. It feeds on itself like an insatiable glutton becoming fat and lazy in the process. There is a board for this and board for that; a license for this and a license for that."

What he failed to say, however, but what every businessman knows, is that with every board and every license there is a hand out here and a hand out there...here a hand, there a hand, everywhere a hand...and quite frankly this is what all investors are fed up with. No wonder their money sits securely in a bank vault...safely away from the grasping, greedy hands, and all the "grease" that is necessary to stop files -- to use Sir Lynden's own words -- bouncing "around like rubber balls from one desk to the next, from one layer of authority to another layer, from one week to the next."

The unsuspecting foreigner comes in and is caught up in it. Many are repulsed and insulted. They walk away and the word

¹¹ An Editorial, "Why Bahamians stick with the bank", March 17, 1992

about Bahamian dishonesty spreads. But there are some foreign investors, who have enough greed in them to stick around, sample the game, and themselves fall victim. They too leave with many tales about the corrupt Bahamas...

Fast Track Investing¹²

Yesterday Prime Minister Hubert Ingraham, keynote speaker at the Business Development Board of Palm Beach County, gave his personal assurance that "an entire nation" was waiting to welcome them to the Bahamas.

He outlined the advantages that the Bahamas offers to both investor and visitor. He said that the statistics -- which he touched on briefly -- indicated that there was considerable potential for investments and joint-venture activity which could service a combined resident and visiting population of close to four million people."

He said he was interested to hear directly from the business leaders what they considered to be of greatest interest on the "super highway of opportunity," which his Government has "opened up between The Bahamas and the individual and the corporate entrepreneur."

However, what interested us most was his declaration that there is now "minimal" red tape for the legitimate investment partner, and that his government was going to honour its commitment to "reduce state domination of the economy."

Selling the Monster¹³

The FNM made it clear before it became the government that it would "sell...all government-owned hotels in New Providence and Grand Bahama to responsible groups of hotel chains with

¹² An Editorial, "Investors to get 'fast track' service", February 11, 1994

¹³ An Editorial, "Hotels costing too much, must be sold", July 25, 1994

marketing muscle, financial resources and acknowledged expertise in tourism."

The mismanagement of the hotel industry by the former government was so serious, that they too -- quietly and behind closed doors -- were trying to get rid of the monster that they had created...

Between 1974 and 1993 the [Hotel] Corporation had spent more than \$401.4 million to acquire and operate these properties. The projected loses of these hotels to the end of this year is more than \$200 million.

Free to Work?¹⁴

A Crystal Palace Casino worker has dismissed remarks made by Robert Sands, general manager of the Marriott resort, as "hogwash."

...Mr Sands...denied that Marriott had appealed to the Gaming Board to stop a large exodus of employees from transferring to the Paradise Island casino.

He said that while Marriott's Crystal Palace Casino had "voiced a concern to the Gaming Board," there had been no attempt to have the board intervene...

"It is our constitutional right for freedom of choice and movement to work any where in this Bahamas as long as somebody wants to hire us." stated the employee...

Eleven croupiers have left the Crystal Palace since June for Paradise Island at a rate of nearly two a month, the casino source said...

A further 11 Crystal Palace croupiers have been accepted by Sun International's Paradise Island casino and are awaiting

¹⁴ Quincy Parker, "Croupier Claims Marriott Trying to Stop Transfer Approvals", December 21, 1995

Gaming Approval before making the transfer, the source said.

Solutions and Illusions¹⁵

Government intends to establish industrial tribunals by July to offer thousands of employed Bahamians a means through which employer-employee disputes may be addressed, Prime Minister Hubert Ingraham said in an address to the nation last night...[In addition,] with new legislation, it will be easier for Bahamian workers to form and join unions...

Mr Ingraham also outlined the promises his government has fulfilled during the past year and spoke of things to come.

According to Mr Ingraham, he promised and delivered higher hotel occupancies, increased room rates, hotel employees working full work weeks and elevated service standards.

¹⁵ Jessica Robertson, "Address to Nation", January 9, 1996

CONCLUSION

When visiting the Bahamas for the first time one may be introduced to the Sapodilla tree. The visitor cannot help but be impressed by its beauty, growing on thin soil and bearing a wonderfully sweet fruit. This tree can be viewed as a metaphor for all that makes Bahamian life so attractive.

However, the Bahamas has been less nourishing, and even hostile, to free market capitalism. This is so because race and the island/pirate culture have created two "we/they" polarities - black versus white and all of us versus all of them.

Such polarities have existed in the world. Man finds meaning in the uniqueness of his tribe--be it racial, religious or ethnic. This sociological phenomena can produce ethical behavior, refined cultures and great nations; and at the other extreme it can produce collective acts of enormous barbarity. The world has witnessed many examples of this in the last fifty years.

These polarities are so prominent in the Bahamas that it is no wonder that socialism has been so pervasive and government so large, intrusive and restrictive. In this situation businessmen, entrepreneurs and workers seek government relief from real and unreal threats and risks. They avoid impersonal market forces and find refuge in the promises and solutions of politicians.

In the Russian Revolution of 1917 the promised morality of socialism--the myth--quickly became a reality--the big lie. Initially it produced impressive economic results that reached a peak in or immediately after World War II. Eventually stagnation and actual economic decline set in despite, or because of, the best efforts of the system. The human and economic cost of socialism became unbearable and the system simply imploded.

The Bahamas is not likely to experience a comparable

collapse. Nevertheless, there has been an economic cost to socialism. This Review did not quantify this cost. But you can be sure that the lost economic product attributable to socialism has been significant.

Under socialism those without political power or alternatives suffer most. The Bahamas learned at great cost that, while all tourists and many investors have no political power, they do have real alternatives. The tourists simply went elsewhere; the Hotel Corporation went bankrupt and the major private hotel was sold to new owners. Investors did not come, they left or they put their funds into bank deposits.

This Review did not address the accomplishments of the Free National Movement since August 1992. The beneficial effects of this government for the citizen and taxpayer are significant and important.

It did suggest, however, that socialism persists and an intrusive big government remains. As Milton Friedman stated "concentrated power is not rendered harmless by the good intentions of those who [exercise] it." One may conclude that the Bahamas must drastically change the functions and size of government. This is both a massive and difficult undertaking. As has been suggested elsewhere this is the Caribbean Tiger Strategy.