

PUBLIC POLICY AND ENTREPRENEURSHIP IN THE CARIBBEAN: NINE STYLES OF POLICY

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Introduction

It is widely believed and supported through research that entrepreneurship has a positive effect on society, creating jobs, economic expansion, a larger tax base, and more consumer well-being. However, there is a lack of agreement as to *which* public policy is the optimal one for any given environment. Hence, public policy on entrepreneurship varies greatly between economies. Some governments, such as that of British Hong Kong, have assumed that entrepreneurship works best when left to market forces. The United States, in contrast, through its Small Business Administration (SBA), has allocated considerable funds to helping small business owners. Yet, Kiesner (1987) found that according to business owners, the SBA ranked only twelfth, in terms of importance as a source of help to small enterprise. Which policy approaches yield the best results?

This paper develops a framework for the classification of public policy on entrepreneurship. Unlike taxonomies in evolutionary biology, those in social sciences have no temporal implication, and they cannot be proven or disproven; however, such a framework is useful to describe and classify policy approaches.

The study classifies the policy styles of thirteen Caribbean economies, according to the nine theoretical positions on the framework. Whereas there is a lack of academic studies about entrepreneurship in the Caribbean, this is therefore an exploratory study, qualitative in nature, using soft concepts and measures. The purpose is to further the understanding of differences in government policy on entrepreneurship, and to stimulate future research on the economic impact of different policies.

Methodology

This study involved three data collection techniques: (1) preliminary research involving secondary sources such as local, island-based newspapers; (2) information search by telephone; and

(3) field research involving interviews with government officials, Chamber of Commerce representatives and entrepreneurs from each of the thirteen economies surveyed. An ethnographic approach was used with triangulation techniques in order to verify information with independent sources.

Government Intervention

Schumpeter (1911) stressed the entrepreneur's role in improving society. Yet, for over half a century, governments around the world gave little if any support to entrepreneurs and new venture creation. On the contrary, up to the late 1970s, many nations preferred instead to encourage mergers of existing firms into larger units (Strinati, 1982). The trend was to evolve away from small, independent businesses. Governments believed that a measure to facilitate economic growth was to encourage close partnership between the existing large firms in the private sector and state agencies (Scase, 1980). More recently, policy-makers have recognized the usefulness of entrepreneurs, a healthy small business sector, and an environment fostering entrepreneurship and conducive to independent businesses; thus, government policy gradually shifted from discouraging new businesses to creating an environment conducive to it (Scase *et al.* 1987).

As research confirmed that the environment influences entrepreneurship (Shapiro, 1984; Drucker, 1985), many but not all countries adopted entrepreneurship as a means of improving output (Rainnie and Scott, 1986). Kirchoff and Phillips (1987) demonstrated that job creation is related to entrepreneurial activity, both of which can be affected by government policy.

Whereas government regulation was originally introduced to protect people and their businesses, Levi and Dexter (1983) demonstrated that such intervention is an obstacle in a number of ways. Peterson and Peterson (1981) provided further evidence suggesting that the allocation of scarce resources, in particular the productive time of the entrepreneur-owner-manager, may be diverted by excessive regulation and paperwork. According to Schneider (1985), deregulation leads industry to be responsive to customer needs. Schwartz found that with deregulation "incompetency quickly shows up and is left behind (1985), p. 29."

Peterson (1988) pioneered a model (Figure 1) to describe public policy on entrepreneurship based on levels of intervention. At one extreme, it is assumed that government interference and regulation hinders entrepreneurial development, and that the best environment for entrepreneurial activity is one of laissez-faire. Indeed, if entrepreneurs are individuals with distinct psychological characteristics, then allowing these to develop naturally will yield entrepreneurship. According to this approach, state intervention is an impediment to spontaneous, private enterprise, and, therefore, a market economy should be left to natural processes with no interference and no assistance from the government.

The opposing view is that a laissez-faire policy with a limited number of born-entrepreneurs, is not enough. According to this approach, the government should do more than simply refrain from obstructing. Peterson divided the non-laissez-faire school into the limited environmental policy approach and the strategic interventionist approach. The former holds that government aid is legitimate as long as it is limited to ensuring an adequate infrastructure, a proper tax climate and positively stimulating economic conditions; this includes support such as deregulation, free trade deals and educational enhancement. The strategic interventionist approach favors greater intervention, including the provision of grants for new ventures. Dana (1993) analyzed strategic interventionist public policy in Namibia, concluding that it may be effective but inefficient.

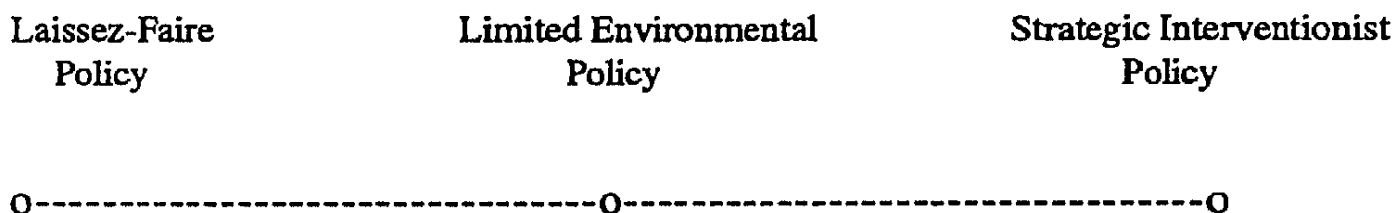


Figure 1: Peterson Continuum is One Dimensional

Towards a Two-Dimensional Framework

The Peterson model (Figure 1) is very useful in classifying the policies of governments supporting entrepreneurship; however, its shortcoming is that it does not consider the case of a public policy which not only refrains from encouraging entrepreneurship but actually hinders it. McIntyre explained that "government's attitude toward business could be categorized as either friendly, hostile or neutral (1985, p. 269)." Indeed, not all nations have a public policy of helping entrepreneurs improve the economy. As argued by Brenner, entrepreneurship is "perceived as *one* of the options for restoring wealth (1987 p. 100)." Some public policies hinder capitalism and entrepreneurship, resulting in a non-entrepreneurial environment. Excessively high taxation, regulation, paperwork requirements and a leftist social policy (e.g., emphasis on redistribution of wealth rather than creation of wealth) may be considered as government intervention which discourages entrepreneurship. This is possible where the social value of entrepreneurial activity is not considered high by a culture or its government. Figure 2 shows a two-dimensional graph incorporating attitude toward entrepreneurs as well as the level of policy intervention. Figure 3 transforms the graph of Figure 2 into a matrix. Figure 4 places island economies in their perspective positions of the Figure 3 matrix.

*Vertical axis is government attitude towards
entrepreneurial activity*

High



Low

Horizontal axis is level of government intervention

Figure 2: Two-Dimensional Framework

I. Anguilla

Anguilla was colonized in 1650 by English settlers from St. Kitts. In 1816, St. Kitts, Nevis and Anguilla were united to form the Leeward Islands Federation.

In 1969, Anguilla decided to completely cut off its ties with St. Kitts and Nevis; and in 1980, the island opted for Crown colony status. It continues to be a self-governing state associated with Great Britain. The majority of Anguillans are of Irish or African origin.

As indicated in Figure 5, Anguilla has no company tax, no income tax and no sales tax. The absence of income tax, corporate tax, tax incentives, exchange control and government programs, suggests the existence of a laissez-faire policy. Social value attached to entrepreneurial activity, however, is reported to be very low, and development has been slow. This places Anguilla in Box G of the grid in Figure 3.

II. Antigua and Barbuda

Antigua was discovered in 1493. The island became a British colony in 1632 and remained so until 1967 when it became a state associated with the United Kingdom. Together with neighboring Barbuda (30 miles away) and uninhabited Redonda, Antigua became independent in 1981; "Antigua and Barbuda" then became a constitutional monarchy with a British-style parliament and the British sovereign as the chief of state, represented locally by a governor.

A limited environmental approach, as described by Peterson (1988) is the policy taken by the government of Antigua and Barbuda. Although the social value attached to entrepreneurship is not particularly high, the government has indirectly facilitated private enterprise by ensuring a proper economic climate, and adequate infrastructure. Antigua has the region's largest airport, and there are 60 miles of roads in Antigua, ample for an island 108 square miles with a population of under 80,000. Furthermore, educational enhancement has resulted in a relatively high adult literacy rate of 88.7%.

<p>High social value attached to entrepreneurship A Low level of government involvement</p>	<p>High social value attached to entrepreneurship B Medium level of government involvement</p>	<p>High social value attached to entrepreneurship C High level of government involvement</p>
<p>Entrepreneurship acceptable but not actively promoted D Low level of government involvement</p>	<p>Entrepreneurship acceptable but not actively promoted E Medium level of government involvement</p>	<p>Entrepreneurship acceptable but not actively promoted F High level of government involvement</p>
<p>Entrepreneurship perceived as unnecessary G Low level of government involvement</p>	<p>Entrepreneurship perceived as unnecessary H Medium level of government involvement</p>	<p>Entrepreneurship perceived as unnecessary I High level of government involvement</p>

*Vertical axis is social value attached to entrepreneurial activity
Horizontal axis is level of government intervention*

Figure 3: Two-Dimensional Graph Approximated By Nine-Block Matrix

The modern V.C. Bird International Airport makes Antigua the transportation hub of the region. Visitors to Antigua and Barbuda have few regulatory constraints. Canadian and U.S. visitors do not even require a passport. A passport is required of French tourists, but no visa. Such facilities have allowed tourism to become Antigua's most important industry, catering to 200,000 visitors annually.

As indicated in Figure 6, the currency of the state is the Eastern Caribbean dollar, which is also used in several other islands from Anguilla to Grenada. This helps entrepreneurs engaged in import/export activity.

Although agriculture is no longer the major industry, sugar and pineapple are still important crops. Authorities would like to see the economy diversified, not to be over-dependent on tourism. Yet not much is done about that. Analysis of the above places Antigua and Barbuda in Box E of the grid in Figure 3.

III. Barbados

Barbados was claimed by the British in 1620. The first parliament on the island was established in 1639, making it the third oldest in the Commonwealth. Sugar manufacturing, the island's first industry, began in 1640, and Barbados became the first Caribbean economy to thrive on large-scale sugar plantations.

The nation became independent in 1966. It is one of few islands to issue its own currency. Rather than relying on market forces to determine economic outcome, during the 1980s, Barbados launched a development program with emphasis on diversification to reduce dependence on tourism. Government policy has since encouraged light manufacturing and agricultural industries, but without significant intervention. The approach used appears to be limited environmental in nature. Government involvement includes having an elaborate airport. New air links resulted in an increase of tourism from Germany during 1993. Social value attached to entrepreneurial activity is neither very high nor very low. This situates Barbados in Box E of the grid in Figure 3.

IV. The British Virgin Islands (BVI)

The economy of the BVI traditionally relied on fish, sugar, cotton, tobacco, lime and cattle. Given its tiny population base, the islands have expected much of their growth to come from foreign

investment. Consequently, the territory has no restrictions on the import or export of currency. As the U.S. is the nation's major supplier of visitors as well as trade, the U.S. dollar is legal tender, facilitating transactions for Americans wishing to avoid foreign exchange risks.

The personal income tax code in the BVI is quite simply: 5% on the first \$7,500 of income, 10% on the next \$75,000, 15% on the subsequent \$10,000, and 20% on any income beyond. To reduce paperwork, income tax calculations do not allow for any deductions. The company tax rate is 1% of 15% of income, depending on its source. Dividends paid to shareholders and interest paid to non-residents are exempt from tax. There is no wealth/capital tax, nor death duties. Intervention is minimal.

The government would have liked to see a growth in tourism, but the islands have no infrastructure for mass tourism. Air links are few, roads are poor, and hotel rooms are limited. The only airline which linked the BVI to the U.S mainland, British Caribbean, was liquidated. A sewage system exists only in the Road Town area. Investors are few, yet nobody seems concerned. Furthermore, the government refrains from fostering entrepreneurial activity; for example, the islands have considerable Crown land which could be developed, but the land is not available for sale.

In summary, policy is one of minimal intervention (i.e., left hand side of horizontal axis). The government is not active in promoting entrepreneurship, but does not stifle it. The attitude towards entrepreneurs is not very pronounced (middle position on vertical axis). Such a policy of low intervention can be described as fitting into Box D of the nine-block framework in Figure 3.

V. The Cayman Islands

By choice a British colony, the islands are self-governing with a stable government committed to supporting its reputation as an international financial center and tax-free haven. In order to emphasize the high social value of entrepreneurship and to create an environment favorable to business, the Cayman Islands Companies Law allows for the creation of investment companies, trading companies, ship registration, off-shore insurance and royalties, patent and trademark operations, as well as local activities. The government policy is that directors may be of any nationality and domiciled

anywhere in the world. A minimum of two directors is recommended, but not mandatory. Other officers, such as president, are optional.

The Cayman Islands have no direct taxation either on income or on capital. There is no inheritance tax or death duty, no capital transfer tax, nor mutation tax on the transfer of an immoveable property. Such policies allow capital and income to appreciate at accelerating rates. Furthermore, a business in the Caymans' may obtain a guarantee from the government for exemption from taxation which may be introduced by future legislation, for a period of up to twenty years.

The result is a constant inflow of capital for investment, a catalyst to prosperity. Indeed, in these islands, there is no apparent poverty, no unemployment problems, no beggars, and no roadside peddlers. This is very atypical of Caribbean islands. Furthermore, in 1994, the Cayman Islands lowered fees for offshore and local company registration. In summary, the above analysis situates the Cayman Islands in Box A of the nine block grid in Figure 3: high value associated with entrepreneurial activity, combined with minimal regulation, i.e., a laissez-faire approach.

VI. The Commonwealth of Dominica

Dominica was a Carib island, then French and finally English, until becoming a republic in 1978. Today, only about 1,000 pure-blood Caribs survive, yet they cling on to their culture which is the most ancient of the West Indies.

The island originally prospered under the slave trade. During the 20th century, its economy became heavily based on bananas, which is still the primary cash crop. Most recently, marijuana has become a noticeable source of revenue.

Miss Eugenia Charles, elected three times to the position of prime minister, became highly respected for her incorruptibility and no-nonsense policies of privatized water, regional security and friendship towards the United States. Under her three consecutive terms, the country converted from the English to metric measure, and two airports were developed.

Today, about 40% of the labor force is employed in agriculture, yielding about half of the GDP. The banana crop represents 40% of the country's exports. Government policy is providing particular state support to citrus fruit cultivation. This is a form of strategic intervention. Social value attached to

entrepreneurial activity is neither unusually high nor low. This situates Dominica in Box F of the grid in Figure 3.

VII. The Dominican Republic

While some governments attempt to foster entrepreneurship and create new wealth, Dominican Republic policy seems to concentrate more on redistributing existing wealth. The policy has been one of high intervention, including a state-directed public works program, financed by printing money.

To fight inflation, food prices are controlled, but regulated prices have created a parallel economy. Farmers export produce at black market prices, leading to frequent shortages of staples, e.g., dairy products, chicken and sugar, in a country which produces over three-quarters of a million metric tons of sugar each year! The nation is still primarily agricultural; yet high government intervention with regulated price policies have resulted in shortages of agricultural produce.

The government has also intervened in land ownership, by expropriating profitable large farms, and dividing these into many smaller ones. Ten acre farms have replaced some of 30,000 acres. Such agrarian reform buys votes and obtains the support of the masses, but reduces successful farms which employed economies of scale, to strips of land used inefficiently by small farmers lacking education and not knowing how to make efficient use of those resources. Furthermore, the policy of dividing efficient farms into micro-plots has also decreased the efficiency of produce distribution, as micro-farmers duplicate the efforts of one another.

The Dominican Republic has been attempting to fight poverty and its 30% unemployment levels, through the redistribution of wealth. However, by taking efficient farms and dividing them for distribution to the poor, the results have been a decrease in the efficiency and productivity of the land, with an unrealistically high price for sugar.

In summary, policy in the Dominican Republic is highly interventionist; yet intervention is not for the purpose of promoting entrepreneurship - on the contrary, excessive regulation, and intervention, combined with high inflation and notorious inadequacy of power and water, has choked off private investment and entrepreneurial activity. Successful entrepreneurs who created jobs on

their plantations, had their property nationalized. Land productivity has since decreased. On the horizontal axis of Figure 2, high government intervention is hindering entrepreneurship, low on the vertical axis. This corresponds to Box I of Figure 3.

VIII. Grenada

The "Spice Island", as Grenada is called, has seen spicy changes since its independence from Britain in 1974. During the early years of independence, the government pursued a policy of active intervention as a means to alleviating poverty, unemployment and economic injustices. The economy of this largely rural society was under heavy regulation and active government involvement. Traditional exports were cocoa, nutmeg, bananas and spice. The government of Maurice Bishop encouraged urbanization but the result was 35% unemployment among the youth while the average farmer was short-handed.

Maurice Bishop wanted to break the stagnation and apathy of life and production in rural areas. His policy was to accelerate modernization by changes in land tenure, changes in government agricultural price policies, expansion of production as well as distribution of chemical fertilizers. The government played an active role in the marketing system and set up large marketing institutions as statutory entities for this purpose.

The cocoa industry, for example, has been heavily regulated and its export controlled since 1964. Each cocoa farmer in the country is required by law to register as a member of the Grenada Cocoa Administration. Regulation was also introduced in the banana industry, and in the early eighties nutmeg, too, was brought under the regulatory web.

Since 1983, the United States Agency for International Development (USAID) has pumped over \$100 million in economic assistance to Grenada. Simultaneously, the United States has been pressuring the government to promote a market-friendly economic system and encouraging Canada and Britain to increase aid to the country.

The government now pursues a policy of less direct involvement guided by a limited environmental approach. Policy may be described as having moved Grenada from Box I under the previous government to Box F, and then most recently to Box E.

Fresh fruit has become the number one export, along with light manufacturing, spices, nutmeg, maize and cocoa.

Entrepreneurship is neither regarded as favorable nor undesirable in Grenada and the government attitude is neither of active intervention nor of laissez-faire. We would, therefore, place it in Box E of the matrix of Figure 3.

IX. The Republic of Haiti

The Negro Rebellion of 1791 led to the mass massacre of Haiti's white population. As the French and English were quarrelling for possession of the colony, in 1801 the leader of the revolt, Toussaint L'Ouverture, unilaterally declared his own state. Thus was born the world's first Negro republic.

Although Napoleon recaptured Haiti and restored slavery, in 1803 Jean-Jacques Dessalines proclaimed the independence of Haiti effective January 1, 1804. He assumed the title of Emperor Jacques I and ruled as a despot until his assassination in 1806.

Over the years, power struggles led to regimes by various dictators. For three decades in the twentieth century, the father-and-son Duvalier dictatorship controlled the country. Papa Doc Duvalier took power in 1957, and in 1986 his son Jean-Claude Duvalier continued the dictatorship. His eventual downfall led to social and political upheaval along with shortages of wheat and sugar, ironic for a sugar producer.

On December 16, 1990, a populist priest, Jean-Bertrand Aristide, became Haiti's first democratically-elected president. Although American diplomats in Haiti had previously dismissed Aristide as a mentally unstable communist, the masses welcomed Aristide with jubilation. Even under democracy, however, it has come to be a Haitian style, that government and civil service are associated with great power. Therefore, it is usually more common for a Haitian to desire a career with the state than in private enterprise. Dana (1991) found that Haitians tended to prefer government careers over entrepreneurial occupations, the latter being perceived as having a less desirable status.

Despite widespread poverty and malnutrition, along with an unemployment rate of 50% and the need to import food, entrepreneurship is not perceived as having social value in Haiti. Government intervention is not low, as there is much red tape in Haiti; yet government involvement is not high either. Illiteracy is 60% and

there are significant inadequacies in public infrastructure, yet the government does little to remedy the situation. Haiti is therefore classified as belonging in Box H of the grid in Figure 3.

X. The Commonwealth of Puerto Rico

In 1940, per capita income was \$121, and 40% of the labor force was unemployed at least half the year. In 1950, the Economic Development Administration was established to assist entrepreneurs and venture capitalists in creating new ventures. By the mid-eighties, per capita income reached \$4,892 and family income averaged \$16,800, among the highest for Latin America. During the 1990s, Puerto Rico proved itself as a major producer and exporter of manufactured items.

How has this been possible? A section of the U.S. Federal Relations Act with Puerto Rico makes the island exempt from federal taxes, and at the local level, a streamlined program is firmly committed to private enterprise. Whereas the island was relatively poor when it became American, it has now reached levels of industrialization and modernization unsurpassed in the Caribbean. The U.S. government expanded a sophisticated highway network, while factories were automated, and the farming has been improved.

Trade with the U.S. mainland has provided the island with an abundance of consumer and industrial items, as well as an export market for Puerto Rican goods. Close links with the mainland have encouraged tourism, with the set-up of successful casinos alongside beaches with luxury hotel developments. As well, links with the mainland have given Puerto Ricans easier access to higher education, and many have even chosen to work in urban centers such as New York and to return to Puerto Rico with their capital.

In addition to creating an environment which is conducive to entrepreneurship, the U.S. government practices a strategic interventionist approach of high involvement to actively promote entrepreneurship. This includes financial assistance, management assistance, bonding assistance and matching services. Such a high social value of entrepreneurship combined with active government support fits in Box C of Figure 3.

XI. The Federation of Saint Christopher (St. Kitts) and Nevis

St. Kitts was settled by the English in 1623, and Nevis in 1628. After a period of Spanish occupation, the English and French shared

St. Kitts, which Louis XIV eventually ceded according to the terms of the Treaty of Utrecht. The federation gained its independence in 1983, and is now an associated state of the Commonwealth.

Sugar is the principal industry of the country. In recent years, light manufacturing has gained importance. Unlike other islands whose primary trading partners are the U.S. and the U.K., St. Kitts and Nevis engages in significant intra-Caribbean trade. The federation is among the most active members of the Organization of Eastern Caribbean States and the Eastern Caribbean Common Market. The currency of the federation is the Eastern Caribbean dollar, facilitating trade, and corresponding to a limited environmental approach type of public policy. Suggesting a shift away from direct government involvement in the economy, in 1994 it was decided for the state-owned St. Kitts Sugar Manufacturing Corporation to be partly sold to foreign investors.

Government policy has limited intervention to the provision of an environment conducive to business. In 1994, St. Kitts announced the building of a new airport and cruise ship facilities. Entrepreneurial activity does not appear to have particular social value. The country's policy thus corresponds to Box E of the grid in Figure 3.

XII. St. Lucia

Since obtaining independence in 1979, the government of St. Lucia has been very actively intervening in the economy, in order for the nation to become self-sufficient. However, entrepreneurship is not looked upon as the necessary vehicle to economic progress.

The social value attached to entrepreneurship in St. Lucia is neither remarkably high nor low. In an attempt to increase it, the Commonwealth Fund for Technical Cooperation has spent considerable funding in small business programs, including the development of small-scale industrial units for the manufacturing of selected household items.

Although the government of St. Lucia is not concerned about the small business sector specifically, in 1988 it signed a General Agreement on Development Cooperation with Canada, for the purpose of accelerating economic development. Canadian assistance to St. Lucia has included the construction of the Hewanorra Air Terminal Building.

Such infrastructure improvements have helped expand the tourist trade, as well as facilitating international business. While local manufacturers export primarily to the Caribbean Common Market (CARICOM), there has been an increase in Caribbean Basin Initiative investments by U.S. firms stimulated by generous incentives.

Increased air service has also facilitated exports, which are a third of GNP. St. Lucia is the largest exporter of bananas in the Caribbean. It also exports coconut oil, copra, cocoa, clothing and live animals, its primary trading partners being the U.S., the U.K., Trinidad & Tobago, and Barbados. Yet growth in tourism has been relatively slow. In 1993, tourism grew by 9.4%, compared with 14.3% in Antigua and Barbuda.

Authorities are actively encouraging the development of a forestry industry on the island. Taiwan is cooperating in the development of the fishing industry. Given the high level of government intervention but the absence of a very low or high social value attached to entrepreneurship, St. Lucia belongs in Box F of the grid in Figure 3.

XIII. The U.S. Virgin Islands (USVI)

In the USVI, Governor Farrelly's policy targeted industrial development as top priority. New companies receive tax exemptions. This is coupled with the absence of sales tax, tariffs and import duties. The result is that the economy is subsidized by virtue of the fact that wholesalers and retailers can make available consumer goods at prices less than those in the continental U.S. Consequently, these merchants can benefit from a higher markup than their mainland counterparts, while keeping a lower sale price, because there is no tax. A bottle of rum, for example, costs under \$2. Tourist shops, of course, charge more.

Traditionally, cotton, sugar cane and milk were products of the USVI. Today, these are imported while the islands export rum, other liquor, jewelry, cosmetics, perfume and cameras which come in from overseas, duty free. The typical retail sales price of one ounce of Chanel No. 5 is \$82 U.S. in the Virgin Islands, as compared to a price in New York (with 8% sales tax) of \$162. The policy of retaining the duty free status of the islands has provided the base for a very healthy tourism industry. Numerous cruise lines make a shopping stop in the USVI. U.S. residents are allowed to bring to the mainland \$9,600 U.S. per year of merchandise from the USVI, tax

free. Furthermore, families may pool their exemptions, and individuals may send gifts to the U.S., not to exceed \$36,500 per year. There is no limit on products made in the USVI.

Tourism and trade has further been facilitated by U.S. airline deregulation. Most recently, to accommodate larger planes, the runway at St. Thomas has been extended by building into the sea on one side, and by levelling a mountain on the other, with technology and funds not available to the average island in the Caribbean. A high social value of entrepreneurial values, coupled with government involvement limited to ensuring a proper tax climate and a favorable economic environment (limited environmental approach), classifies the USVI in Box B of Figure 3.

Conclusion

Figure 4 indicates on the nine-block matrix the respective positions of the 13 island economies discussed in the preceding section. The figure also provides some relevant details about economic life on the islands.

The study reveals that of the islands studied, those with high levels of government intervention, economic regulation and redistribution policies, in the absence of entrepreneurial values, have considerably lower GDP than their neighbors with environments conducive to entrepreneurial activity. Entrepreneurial values, and public policy supportive of entrepreneurship, combined with minimal regulation, and intervention appears to yield highest per capita GDP.

As indicated in Figure 5, low taxes appear to be a successful stimulant to an economy. The absence of direct taxation and income tax in the Cayman Islands have led it to become an international financial center. The absence of tariff duties and sales tax in the USVI has allowed local merchants to prosper by selling consumer items to tourists, in large quantities, at prices unequalled on the mainland. The reduction of income taxes has further boosted entrepreneurship.

Reinforcing the above, Figure 6 shows that the richest islands are members of free trade organizations (reducing barriers to trade), while the economies with less facilitated trade, *i.e.*, the Dominican Republic and Haiti, are among the poorest. Furthermore, the use of a common currency eliminates the foreign exchange risk of international transactions. As illustrated in the matrix, correlation of

per capita GDP, with social value attached to entrepreneurial activity and level of government involvement suggests that a government which values entrepreneurship, coupled with laissez-faire-style policy of small government, may be helpful assets to an economy. Governments such as that of the Dominican Republic must not substitute income redistribution for the distribution of income opportunities.

Free trade also helps an economy which does not need protective tariffs for its own industry. The USVI are a prime example. A policy for freer trade can foster an increasingly entrepreneurial environment.

Figure 7 shows increases in export values, especially among CARICOM states. In contrast, for countries which are neither CARICOM nor NAFTA members, exports have fallen (as indicated in Figure 7).

This exploratory study has described policies on entrepreneurship according to the level of government intervention, and according to whether the intervention supported or hindered entrepreneurial activity. Results suggest that an optimal environment is one in which there is minimal interference with market forces. By understanding policies and socioeconomic environments which do not unduly restrict entrepreneurship, we may be better able to design environments which will foster entrepreneurship. By further researching and comparing policies of different nations, it may become possible to adopt certain elements and perhaps adapt them elsewhere.

<p>Cayman Islands 1990 GDP per capita = \$27,000 US 1988 GDP per capita = \$13,000 US 1987 GNP per capita = \$18,200 US 1993 population/sq. mi. = 200</p>	<p>US Virgin Islands 1989 per capita income = \$11,052 US 1988 GDP per capita = \$10,000 US 1987 GNP per capita = \$7,780 US 1993 population/sq. mi. = 800</p>	<p>Puerto Rico 1989 per capita income - \$ 6,300 US 1988 GDP per capita = \$5,000 US 1987 GNP per capita = \$5,520 US 1993 population/sq. mi. = 1,000</p>
<p>British Virgin Islands 1988 GDP per capita = \$8,000 US 1987 GNP per capita = \$ 7,385 US 1993 population/sq. mi. = 200</p>	<p>Barbados 1991 GDP per capita = \$6,500 US 1988 GDP per capita = \$6,000 US 1987 GNP per capita - \$5,330 US 1993 population/sq. mi. = 1,560</p> <p>Antigua and Barbuda 1992 GDP per capita = \$5,000 US 1988 GDP per capita = \$3,000 US 1987 GNP per capita = \$1,700 US 1993 population/sq. mi. = 470</p> <p>St. Kitts and Nevis 1990 GDP per capita = \$3,300 US 1988 GDP per capita = \$2,000 US 1987 GNP per capita = \$1,700 US 1993 population /sq. mi. = 470</p> <p>Grenada 1992 GDP per capita = \$2,800 US 1988 GDP per capita = \$1,000 US 1987 GNP per capita = \$1,340 US 1993 population /sq. mi. = 700</p>	<p>Dominica 1990 GDP per capita = \$2,000 US 1988 GDP per capita = \$2,000 US 1987 GNP per capita - \$1,440 US 1993 population/sq. mi. = 300</p> <p>St. Lucia 1990 GDP per capita = \$1,900 US 1988 GDP per capita = \$1,000 US 1987 GNP per capita = \$1,370 US 1993 population/sq. mi. = 630</p>
<p>Anguilla 1988 GDP per capita = \$1,000 US 1987 GNP per capita = \$630 US 1993 population/sq. mi. = 210</p>	<p>Haiti 1991 GDP per capita = \$440 US 1988 GDP per capita = \$300 US 1987 GNP per capita = \$360 US 1993 population/sq. mi. = 625</p>	<p>Dominican Republic 1992 GDP per capita = \$1,040 US 1988 GDP per capita = \$1,000 US 1987 GNP per capita = \$730 US 1993 population/sq. mi. = 400</p>

Laissez-Faire

High Interventionist

Figure 4: Summary

<i>Island Economy</i>	<i>Taxation Policy</i>
<i>Anguilla</i>	<i>No company tax, no income tax and no sales tax.</i>
<i>Antigua and Barbuda</i>	<i>In March 1994, the 1994-5 budget was presented, proposing increases in customs service charge and hotel guest tax as well as the introduction of a new 7% tax on restaurant meals and drinks.</i>
<i>Barbados</i>	<i>In 1992, GST was replaced by VAT.</i>
<i>British Virgin Islands</i>	<i>Low income tax rates, with simple calculations.</i>
<i>Cayman Islands</i>	<i>Absence of company taxes, income taxes and sales taxes make these islands a tax haven.</i>
<i>Dominica</i>	<i>In 1993, consumption tax was raised from 20% to 25%.</i>
<i>Dominican Republic</i>	<i>Until 1994, there used to be a foreign exchange surcharge on the importation of machinery.</i>
<i>Grenada</i>	<i>In 1986, income tax was abolished and replaced by VAT, subsequently replaced by a single consumption tax.</i>
<i>Haiti</i>	<i>The political situation results in the inefficient collection of taxes.</i>
<i>Puerto Rico</i>	<i>Exempt from United States federal taxes.</i>
<i>St. Kitts and Nevis</i>	<i>In 1993, Prime Minister Kennedy Simmonds announced a \$86 million increase in government expenditure, but no new taxes.</i>
<i>St. Lucia</i>	<i>The 1993 introduction of a \$10 per person tax on cruise ships resulted in cruise ship passenger arrivals dropping 7% since the introduction of the new tax.</i>
<i>United States Virgin Islands</i>	<i>Duty-free haven exempt from federal taxes.</i>

Figure 5: Taxation Policy

Island Economy	Currency	Free Trade Organization
Anguilla	E.C.\$	CARICOM
Antigua and Barbuda	E.C.\$	CARICOM
Barbados	Barbados \$	CARICOM
British Virgin Islands	U.S.\$	CARICOM
Cayman Islands	C.I.\$	CARICOM
Dominica	E.C.\$	CARICOM
Dominican Republic	D.R.P.	none
Grenada	E.C.\$	CARICOM
Haiti	Gourde	none
Puerto Rico	U.S.\$	NAFTA
St. Kitts and Nevis	E.C.\$	CARICOM
St. Lucia	E.C.\$	CARICOM
United States Virgin Islands	U.S.\$	NAFTA

Figure 6: Economies, Currencies and Memberships in Free Trade Organizations

Island Economy	1987 Exports in Local Currency	1987 Exchange Rate per US \$	1987 Export in US \$ (millions)	Most Recent Export Values in US \$ (millions)
Antigua and Barbuda	46 million	2.7	17	22 in 1988
Barbados	314 million	2.0	157	192 in 1992
Cayman Islands	n.a.	0.8	n.a.	3 in 1991
Dominica	130 million	2.7	48	56 in 1992
Dominica Republic	2,702 million	3.8	711	566 in 1992
Grenada	86 million	2.7	32	20 in 1992
Haiti	1,068 million	5.0	214	103 in 1991
St. Lucia	215 million	2.7	80	123 in 1992

Figure 7: Economies and Changes in Exports

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