

ABSTRACT

Public Debt Financing and Economic Growth and Development: The Case of the Island-Region Economy of Tobago.

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Since the decade of the 1970s, public debt financing has been used extensively by numerous developing countries to stimulate their economic growth and development. Today, many of the countries which pursued this developmental financing option experienced severe debt crises which had detrimental consequences for their future developmental prospects. Tobago is now on the verge of embarking on public debt financing to finance its developmental thrust.

The purpose of this thesis is to examine whether public debt financing can stimulate economic growth and development in the island-region economy of Tobago. This thesis also provides policy makers in Tobago with some strategies that could be employed for managing public debt effectively.

The thesis employs a financial programming model in an attempt to show that public debt would have positive impacts on macroeconomic variables in the Tobago economy such as Gross Domestic Product, savings and investment with minimal negative impacts on the debt-bearing capacity of Tobago.

The dominant perspective informing the analysis in this thesis is the Keynesian perspective. The essential argument is that public debt will impact positively on macroeconomic variable in the Tobago economy. Under this perspective, public debt does not “crowd out” but will “crowd in” private investment and contribute positively economic growth and development.

The fundamental argument in this research is that the major factor responsible for the historical failure of public debt financing in the Caribbean is inappropriate debt management strategies.

Keyword: Selvon Don Hazel, Island-Region, Public Debt Financing, Economic Development, Crowding Out, Financial Programming Model and Public Debt Management.