

ABSTRACT

This study has been prompted by the absence of an income determination model which takes, as its point of departure, the peculiar characteristics of the Guyana economy and achieves, as a consequence, a relevant explanation of the income determination process.* The focus on money in that process reflects the author's long association with central banking and financial planning. It also reflects his curiosity, regarding the relevance of dichotomous schools of thought on the importance of money. Significantly, the gross money inflow emerges as the transmission mechanism in a two-way transmission process, involving the real and financial sectors, while net money (the domestic money stock) surfaces as a factor in the speed with which the system adjusts from one equilibrium position to another.

*Notwithstanding, it is instructive to see this dissertation, as following in the wake of a number of path-breaking studies (in the Caribbean and elsewhere) which have pointed to the shortcomings of various aspects of Neo-classical economic 'theories' in respect of development problems of small open economies.

See, for example, C.Y. Thomas, Monetary and Financial Arrangements in a Dependent Monetary Economy (Mona, Jamaica, 1965).

Idem., Dependence and Transformation (N.Y. & London: Monthly Review Press, 1974).

G.L. Beckford, Persistent Poverty (Oxford University Press, 1972).

W. Demas, The Economics of Development in Small Countries with Special Reference to the Caribbean (Montreal: McGill University, 1965).

The transmission process as well as the transmission mechanism around which it is developed are important innovations in the text. They emerge, not only from a conscious effort to break with the more orthodox, but less relevant contributions of the established schools of thought, but also from tests of theoretical and empirical significance. These contributions are, nevertheless, reviewed to provide a background to the analysis which follows.

Some of the implications of the transmission process are novel enough to affect conventional thinking in such areas as: the definition of money; the 'real' representative value of money; the mechanism of monetary control and the role of the central bank in economic policy.

Except for illustrative purposes, the study focuses on the period, 1961 - 1973 which culminates on the eve of 'para-statal' dominance in the economy, but which, nevertheless, contains enough of the germs of transformation to permit a conjectural analysis of the salient trends and their potential influence on key relationships in the system.