

*SAE./No.54/June 2016*

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*Studies in Applied Economics*

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**THE EASTERN CARIBBEAN  
CENTRAL BANK: PROBABLY NOT  
A CURRENCY BOARD**

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Global Health, and Study of Business Enterprise



# **The Eastern Caribbean Central Bank: Probably Not a Currency Board**

By Henry Carpenter

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## **About the Series**

The Studies in Applied Economics series is under the general direction of Professor Steve H. Hanke, co-director of the Johns Hopkins Institute for Applied Economics, Global Health, and the Study of Business Enterprise (hanke@jhu.edu). This working paper is one in a series on currency boards. The currency board working papers will fill gaps in the history, statistics, and scholarship of the subject. The authors are mainly students at The Johns Hopkins University in Baltimore.

## **About the Author**

Henry Carpenter is a freshman at The Johns Hopkins University in Baltimore pursuing a double major in Economics and Applied Mathematics & Statistics. He wrote this paper while serving as an undergraduate researcher at the Johns Hopkins Institute for Applied Economics, Global Health, and the Study of Business Enterprise during the spring of 2016. He will graduate in May of 2019.

## **Abstract**

The International Monetary Fund classifies the Eastern Caribbean Central Bank – representing Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Anguilla – as a currency board, but analysis of balance sheet data and monthly financial statements shows that that is probably not the case. The ECCB is at most an extremely unorthodox currency board, and it is now likely nothing more than a central bank, although, according to several statistical tests, until 2008 it behaved more like a currency board.

## **Acknowledgements**

I thank Dr. Kurt Schuler and Professor Steve H. Hanke for their advice and assistance and Olivia Davies for draft comments.

Keywords: Currency board, Eastern Caribbean Central Bank  
JEL codes: E58, N16.

## **Introduction**

Formed in July of 1983, the Eastern Caribbean Central Bank (ECCB) is the successor to the East Caribbean Currency Authority (ECCA), which, in 1965, succeeded the British Caribbean Currency Board (BCCB), itself created in 1950. The ECCB is composed of six Caribbean nations – Antigua and Barbuda, the Commonwealth of Dominica, Grenada, St. Kitts (St. Christopher) and Nevis, Saint Lucia, and St. Vincent and the Grenadines – and two British overseas territories – Anguilla and Montserrat.

The International Monetary Fund (IMF) classifies the ECCB as a currency board in its *Annual Report on Exchange Arrangements and Exchange Restrictions*, although analysis of the central bank's founding agreement and of financial statistics provided by the ECCB Monetary Council suggest that the ECCB diverges from orthodox currency boards both in its legal framework and its actual monetary policy.

This paper focuses mainly on how the ECCB compares – both legally and in practice – to the earlier monetary authorities representing the member states as well as the extent to which the ECCB functions as an orthodox currency board. Questions of economic performance or health are not addressed in this paper and are left for later analysis.

## **Founding Laws and History of Monetary Authorities in the Area**

In 1950, Barbados, British Guiana, the Leeward Islands (composed of Antigua, St. Kitts, and Montserrat), Trinidad and Tobago, and the Windward Islands (composed of Grenada, St. Vincent, St. Lucia, and Dominica) came together and formed the Board of Commissioners of Currency, British Caribbean Territories (Eastern Group), hereafter styled the British Caribbean Currency Board or the Board (Favaro, 2008: 28; Board of Commissioners, 1950: 1).

Headquartered in Trinidad, the Board of Commissioners had six voting members – one representing each territory – and one “Executive Commissioner” appointed by the British Secretary of State for the Colonies. Each member of the Board was appointed to a three-year term, with re-eligibility contingent upon continued residence in the respective territory. A chairman elected by the Board held a “casting” (tie-breaking) vote in addition to his regular vote and was also appointed to a three-year term.

The official currency issued by the BCCB was the British West Indies dollar (BWI\$), which was fixed against the pound sterling at BWI\$4.80 to £1. Twelve denominations of currency were issued by the BCCB: notes having values of \$100, \$20, \$10, \$5, \$2, and \$1, and coins having values of 50 cents, 20 cents, 10 cents, 5 cents, 1 cent, and ½ cent. The BWI dollar was a longstanding unit of account. Its exchange rate conveniently made 2 BWI cents equal to one sterling penny (the pound sterling at the time was subdivided into 20 shillings or 240 pence), and also made the BWI dollar worth just a little bit more than the U.S. dollar.

The BCCB was required to maintain foreign reserves equal to at least 100 percent of the face value of all the currency notes and coins in circulation, which is one of the hallmarks of currency board orthodoxy. Additionally, its founding agreement stated that if, at year's end, the foreign reserves were equal to or greater than 110 percent of the value of currency in circulation, all reserves above 110 percent would be removed and placed into the Board's income account, into which all dividends, interest, or other sources of income from the Board were paid. The reserves held by the BCCB were mandated to be sterling securities guaranteed by any government of the British Empire not participating in the currency board or any other security approved by the British Secretary of State (Board of Commissioners, 1950).

Unlisted in the agreement were any emergency powers relating to increased control or authority of either individual members of the Board or the Board as a whole. Additionally, the listed powers were limited. The Board was permitted to "demonetise and procure the withdrawal and appropriate disposal" (Brown et al., 1989: 247) of any currency in circulation that it deemed fit, but no other powers warrant mention. In particular, the BCCB could not act as a lender of last resort. The BCCB lacked any discretionary monetary policy at all, acting as an orthodox currency board.

In 1964, Trinidad and Tobago withdrew from the BCCB and established its own central bank, which prompted the relocation of the BCCB's headquarters to Barbados (Van Beek, 2002). Additionally, Jamaica, which had recognized the BWI\$ as legal tender in exchange for reciprocal treatment of its currency, ended the reciprocity agreement in 1964.

At this point, the member governments of the BCCB decided to form a new monetary authority "to issue and manage ... currency, to safeguard its international value and to promote monetary stability and a sound financial structure in the territories of the participating governments" (ECCA 1965: 1). In 1965, Antigua, Barbados, Dominica, Montserrat, St. Christopher-Nevis-Anguilla<sup>1</sup>, St. Lucia, and St. Vincent formed the East Caribbean Currency Authority, whose functioning fell somewhere between that of a currency board and a central bank – much less orthodox than the British Caribbean Currency Board.

The formation of the ECCA was accompanied by the creation and adoption of the East Caribbean dollar (EC\$) which replaced the British West Indies dollar. Like the BWI\$ before it, the EC dollar was linked to the pound sterling at an exchange rate of \$4.80 to £1. In November of 1967, sterling was devalued against the U.S. dollar, and the EC dollar followed. The Board of the Currency Authority decided that, all things considered, it remained in the best interest of all member states for the EC dollar to stay linked to sterling.

However, the ECCA moved to protect against future loss of value in the case of further devaluations. In 1968, the Currency Authority Board agreed to continue maintaining 100 percent of its foreign reserves in sterling, but in exchange it exacted a guarantee from the British

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<sup>1</sup> Anguilla later separated from St. Christopher and Nevis. They became independent while it remained a British dependency, as it still is today.

government that if sterling were to be again devalued against the U.S. dollar, the U.K. would make a payment in sterling to the ECCA to restore 90 percent of the reserve's value against the U.S. dollar (Chronology of the ECCB, 1980: 2). The terms were similar to those the U.K. offered other colonies at the time.

Also in 1968, Barbados announced its intention to withdraw from the union and form its own central bank. The split arose over a Barbadian desire for an amendment to the ECCA constitution regarding the actions to follow further devaluation of sterling. The desired amendment never materialized, and in 1976, Barbados removed itself from the East Caribbean Currency Authority. The headquarters were moved to St. Kitts, where they remain today.

In 1970, the governments of the member states decided to transition the ECCA into more of a central bank and less of a currency board. Between 1970 and 1975, every government but one began issuing public treasury bills and the ECCA began purchasing them, causing the ECCA's domestic assets to increase from \$3.0 million to \$15.5 million over that period. On 7 July 1976, the Board of the Authority, with the approval of the participating governments, moved to disconnect the EC dollar from sterling and instead peg it to the U.S. dollar. The U.S. dollar was seen as a more stable currency, and it was thought that it would provide a greater potential for economic strength going forward. The East Caribbean dollar was pegged at a rate of EC\$2.70 = US\$1.00 (the cross-rate implied by the EC dollar-sterling rate and the sterling-U.S. dollar rate), and continues at that same rate today.

One of the largest differences between the BCCB and the ECCA was the foreign reserve requirement. Where the British Caribbean Currency Board was mandated to hold foreign reserves equal to 100 percent of the value of the currency in circulation, the East Caribbean Currency Authority was required to hold foreign reserves equal only to 70 percent of the face value of currency in circulation. This was a significant departure from previous policy, and it marked a major step away from currency board orthodoxy. Additionally, a clause in the ECCA agreement stated that, with the approval of all participating governments, the foreign reserve requirement could be decreased from 70 percent to 60 percent. In 1976, the governments exercised this authority, and the value of domestic securities held by the ECCA increased from \$15.5 million in 1976 to \$35.4 million in 1980.

In addition to the reduced foreign reserves requirement, with the adoption of the ECCA came new powers and authorities – increased in both breadth and depth – for the Board. The ECCA was permitted to buy and sell property and assets for and of participating governments. One power in particular seemed to afford the Board the most room for discretion: the ECCA could “act as agent of the participating Governments either collectively or individually” (ECCA 10). This clause is vague and broad enough that it could be interpreted in many ways. We found no literature regarding specific invocation or intent of this power, so we cannot say how it was intended to be read.

In 1970, ECCA Board members approached the IMF and requested assistance in drafting a constitution for a central bank to replace the ECCA (ECCA, 1965). On 1 October 1983, after 13 years, the ECCA was disbanded, and a new monetary authority, the ECCB, was formed.

In 1981, seven former British territories – Antigua and Barbuda, the Commonwealth of Dominica, Grenada, Montserrat, St Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines – had come together and created the Organisation of Eastern Caribbean States, a multinational organization intended to promote economic stability, protection of human rights, and good governance. Two years later, these seven nations further bound themselves together through the ECCB. The agreement establishing the ECCB states that the purposes of the Bank are:

- “to regulate availability of money and credit;
- to promote and maintain monetary stability;
- to promote credit and exchange conditions and a sound financial structure conducive to the balanced growth and development of the economies of the territories of the Participating Governments;
- to actively promote through means consistent with its other objectives the economic development of the territories of the Participating Governments.” (ECCB Agreement, 1983: 11)

On 1 April 1987, the territory of Anguilla became a full member of the ECCB; previously it had been an associate member.

Furthermore, in a 1995 study performed for the Private Sector Organisation of Jamaica, Prof. Steve H. Hanke and Dr. Kurt Schuler proposed that, by joining the ECCB as a full member, Jamaica could reduce its inflation and instill systematic stability into the Jamaican economy (Hanke and Schuler, 43-5).

The ECCB maintained the same 60 percent foreign reserve requirement the ECCA had, and it expanded the acceptable external reserve options to explicitly include gold, foreign currencies, and foreign securities.

The structure of the ECCB changed slightly from that of the ECCA. Each country appoints one minister and one alternate to the Monetary Council, and from the appointed ministers, the Council elects a Chairman to serve a term of one year, holding a casting vote in the event of a tie. The Council is required to meet at least two times a year “to receive ... the Bank’s report on monetary and credit conditions and to provide directives and guidelines on matters of monetary and credit policy to the Bank and for such other purposes as are prescribed under this Agreement” (ECCB Agreement, 1983: 7). In practice, the ECCB meets three times a year.

A quorum exists when five ministers are present, and a meeting of the Council can be called when at least two ministers request it. Additionally, a Board of Directors is “responsible for the policy and general administration of the Bank” (ECCB Agreement, 1983: 7). The Board consists of one Governor, one Deputy Governor, and one Director representing each member government. The

Directors are recommended by each member government and appointed by the Council with instructions to represent not just their home country but the currency area as a whole. The Directors' term lengths are three years, and they are eligible for reappointment.

The Governor and Deputy Governor are appointed by the Council for a period no longer than five years, and they are also eligible for reappointment. (The ECCB has had only three governors so far.) The Governor presides as chairman at Board meetings, "[serves] as chief executive officer of the Bank to be in charge of and responsible to the Board for the implementation of the policy and the day to day management of the Bank" (ECCB Agreement, 1983: 8), and attends all Council meetings as a nonvoting member. The Governor may act unilaterally on behalf of the Bank and delegate powers to other officers as "deemed appropriate by the Board" (ECCB Agreement, 1983: 9).

The Board must meet at least every three months, although it can meet "as often as the business of the Bank may require" (ECCB Agreement, 1983: 10). Neither the Governor nor Deputy Governor votes at Board meetings, except in the case of ties, in which case the Governor casts the deciding vote. Both the Monetary Council and Board of Directors require simple majorities to pass resolutions, except where the agreement specifies otherwise.

The ECCB is vested with more powers and authorities than the ECCA before it. The emergency powers of the ECCB include the power to assume control of financial institutions as it deems fit, to provide financial assistance to institutions and governments as it sees fit, to buy or sell property or any other assets of any financial institutions, and to appoint persons or establish corporations necessary for the function of the agreement. Additionally, the ECCB is authorized to act as a "lender of last resort," bailing out banks when deemed necessary. This discretionary power is distinctly unorthodox and is a strike against the claim that the ECCB is a currency board. The emergency powers "shall not be exercised unless the Bank is also of the opinion that the financial system of any of the territories of Participating Governments is in danger of disruption, substantial damage, injury or impairment as a result of the circumstances giving rise to the exercise of such powers" (ECCB Agreement, 1983: 13). The aforementioned emergency powers grant huge authority to the Board and Council and provide large room for discretionary interventionist policy, which is inconsistent with the IMF's claim that the ECCB operates as a currency board.

Figure 1 compares the three historical central monetary authorities in the East Caribbean area. Everything listed in the table comes directly from their respective agreements.

<b>Figure 1. Powers of BCCB, ECCA, and ECCB</b>			
	<i>British Caribbean Currency Board (1950 - 1965)</i>	<i>East Caribbean Currency Authority (1965 - 1983)</i>	<i>Eastern Caribbean Central Bank (1983 - Present)</i>
<b>Reserve Requirements</b>			
Foreign Reserve Requirement (% of Monetary Base)	100	70; 60 after 1976	60
Domestic Assets Permitted?	No	Yes	Yes
<b>Emergency Powers</b>			
Buy and Sell Assets of Member Banks?	No	Yes	Yes
Assume Control of Member Banks?	No	Unclear	Yes
Lender of Last Resort?	No	Yes	Yes
<b>Currency</b>			
Domestic Currency	British West Indies dollar (BWI\$)	East Caribbean dollar (EC\$)	Eastern Caribbean dollar (EC\$)
Anchor Currency	pound sterling	pound sterling, later U.S. dollar	U.S. dollar
Exchange Rate	BWI\$4.80 = £1.00	EC\$4.80 = £1.00, EC\$2.70 = USD1.00	EC\$2.70 = USD1.00

*Main Sources: BCCB; ECCA; ECCB.*

The ECCB sets the discount rate offered to commercial banks as well as the minimum interest rate that banks pay on savings deposits. For example, in 1985, the ECCB required commercial banks to pay a minimum interest rate of 4 percent on savings deposits, up from 2 percent. This dropped to 3 percent on 1 September 2002, and dropped further to 2 percent on 1 May 2015. In August 1996, the Bank also lowered the official rediscount rate from 9 percent to 8 percent in an attempt to stimulate investment activity. In the aftermath of the September 11 terrorist attacks, the discount rate was cut further to 7 percent, again to increase economic activity. The last change to the discount rate occurred on 18 July 2003, when the ECCB dropped the rate to 6.5 percent in an attempt to signal to commercial banks their desire for lower interest rates (Eastern Caribbean Central Bank Chronology, 2013: 4).



## **To what extent does the ECCB operate as a Currency Board?**

Orthodox currency boards exhibit three main features: a fixed exchange rate against an anchor currency, full and unlimited convertibility between its currency and the anchor currency, and a set level of foreign reserves held against the monetary base (currency in circulation plus deposits with the currency board) (Hanke, 2002).

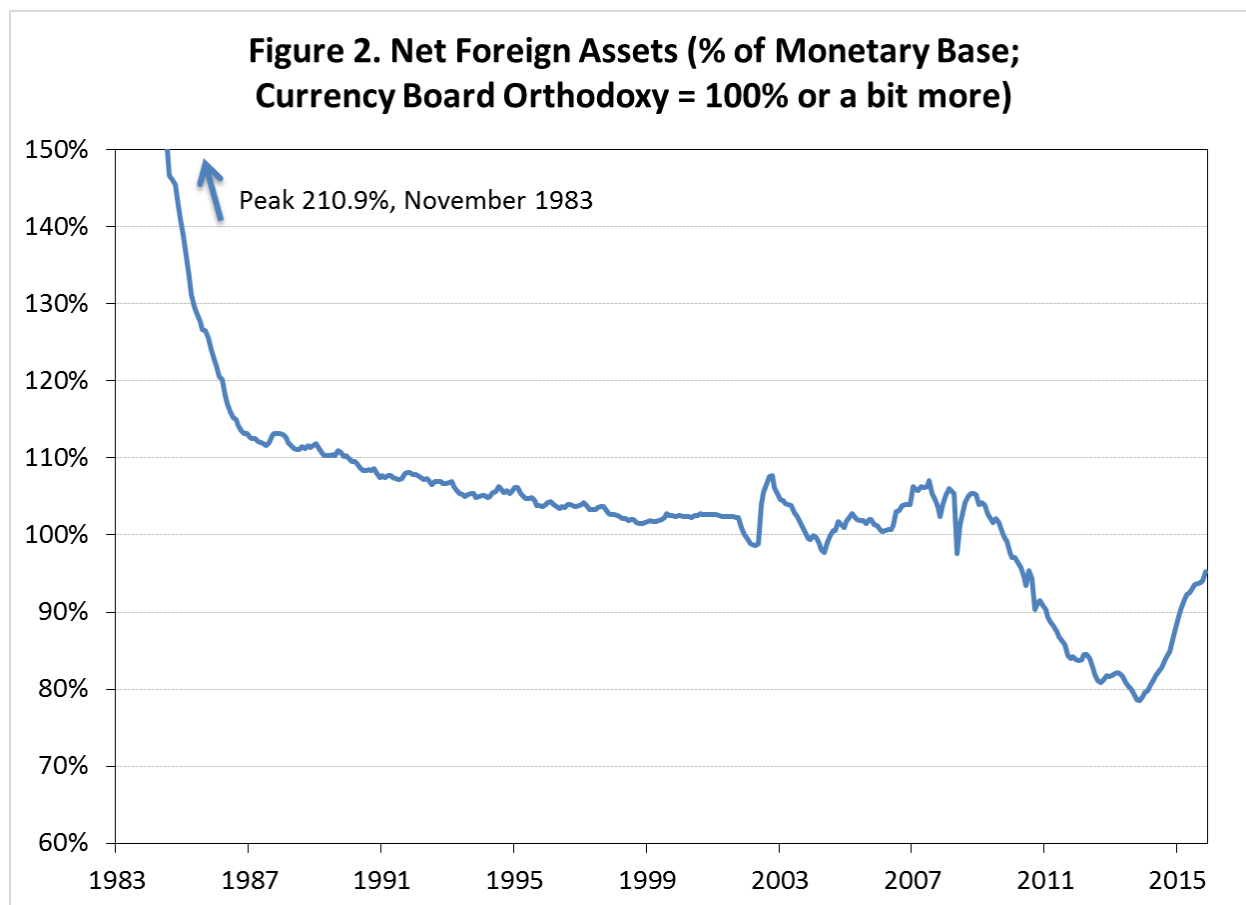
Is the ECCB a currency board? If so, does it perform like a currency board and to what level of competence does it perform? The East Caribbean dollar is kept at a fixed exchange rate of EC\$2.70 = US\$1.00, meaning that it is fully anchored against a foreign currency. Is the EC\$ fully convertible and what have the foreign reserve levels been?

A fully orthodox currency board would maintain foreign reserves equal to 100 percent of the monetary base with no domestic assets on the balance sheet. As we saw earlier, the ECCB is under no legal obligation to follow this rule, as the constitution requires just a 60 percent foreign reserve ratio, but that doesn't mean the ECCB does not maintain this ratio in practice.

To test the ECCB's orthodoxy, I used data from the IMF's International Financial Statistics database and from the ECCB itself. Data go back to 1983, the year the ECCB was formed. All data used can be found in an accompanying spreadsheet workbook.

### **First Tests: Foreign Reserves, Domestic Reserves, and the Monetary Base**

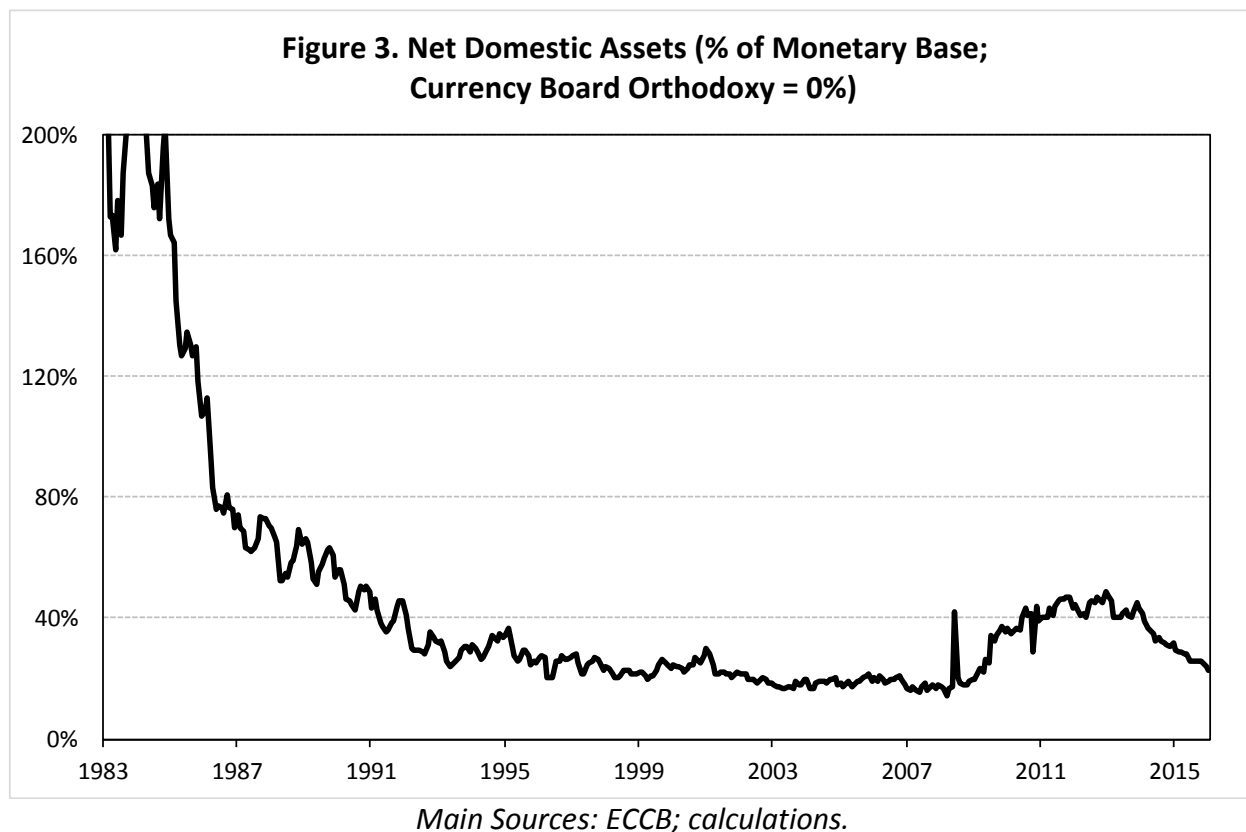
The first analysis done compares the net foreign assets (foreign reserves) held against the monetary base. Although under no legal obligation to do so, the ECCB has oftentimes maintained a level of foreign reserves equal to or greater than 100 percent of the monetary base, though that has not been the case recently. Figure 2 shows that, from 1983 to 1986, net foreign assets greatly exceeded the monetary base, reaching a peak of 210.9 percent in November of 1983. From 1986 until late 2001, net foreign assets were consistently between 100 and 110 percent of the monetary base, not dipping below 100 percent until December of 2001. Since that time, the ratio has seen greatly increased volatility, spiking sharply numerous times. The most noticeable dip occurred in June of 2008, likely a result of the financial crisis. Since October of 2009, net foreign assets have remained below 100 percent, bottoming out at 76.7 percent of the monetary base in November of 2013. However, reserve levels have been steadily increasing since that time and, as of January of 2016, are equal to 98 percent of the monetary base.



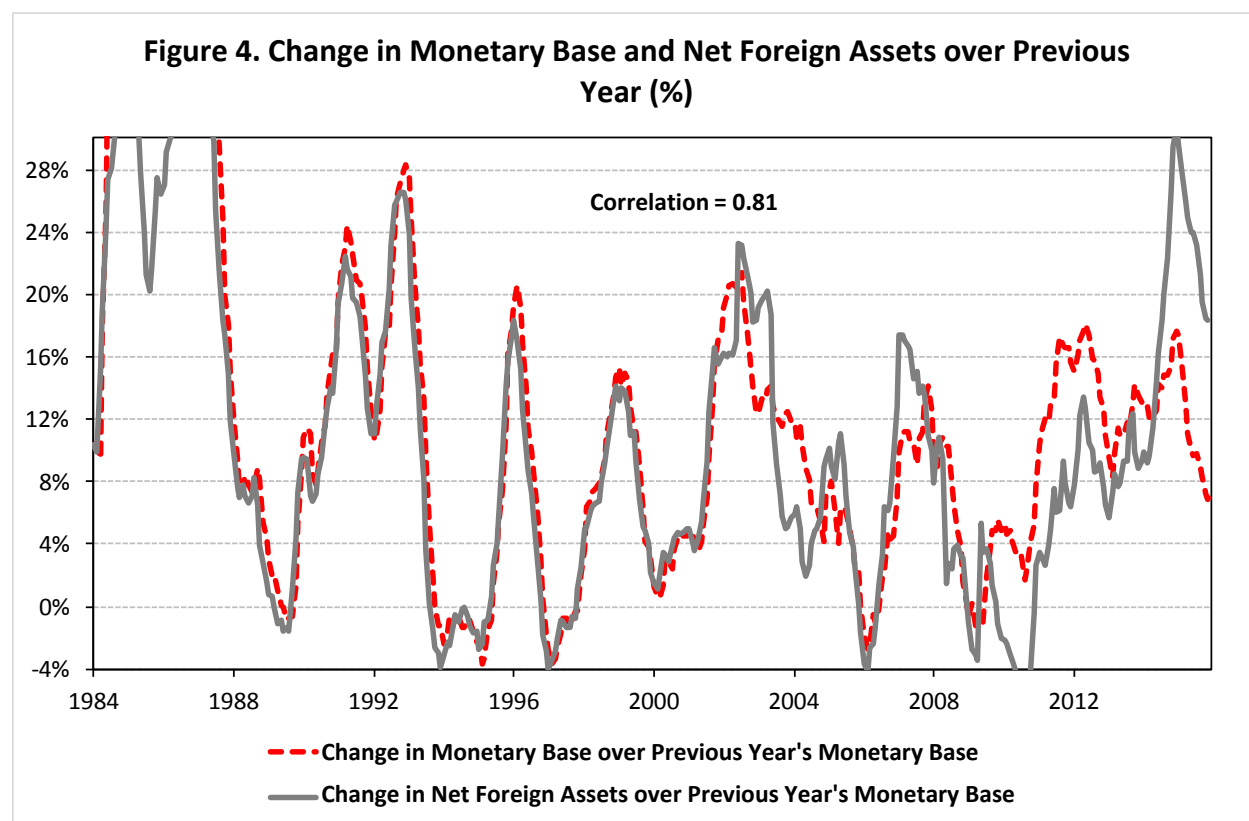
*Main Sources: IMF; ECCB; calculations.*

Analysis of net foreign assets as a percentage of monetary base alone is neither enough to determine whether the ECCB operates as a currency board nor how orthodox it is. Until 2009, the ECCB seemed to perform as a currency board, albeit a relatively volatile one, but since then, it has been less clear. More tests are needed.

The counterpart to net foreign assets – net domestic assets as a percentage of the monetary base – is another useful way to judge currency board orthodoxy. In an orthodox currency board, all assets should be foreign. Any substantial level of net domestic assets represents a severe deviation from currency board orthodoxy. As Figure 3 clearly shows, the ECCB has consistently maintained high net domestic assets over the duration of its existence. This is a major indicator that the ECCB has not performed in an orthodox manner, although it does not entirely preclude currency board tendencies.



In theory, the reserve pass-through test to be performed later in this paper is a sufficient test of currency board orthodoxy, but in reality, matters can be complicated by interest earnings, fluctuating expenses, and changes in the market value of assets compared to their cost of acquisition. Each of these factors can be eliminated or reduced, separating the signal from the noise, by looking at the year-over-year change in the monetary base over the previous year's monetary base against the year-over-year change in net foreign assets over the previous year's net foreign assets. An orthodox currency board should see the two values move together. Figure 4 shows that the two move in conjunction until roughly 2007, at which point the two lines begin to diverge and orthodoxy is brought into question.

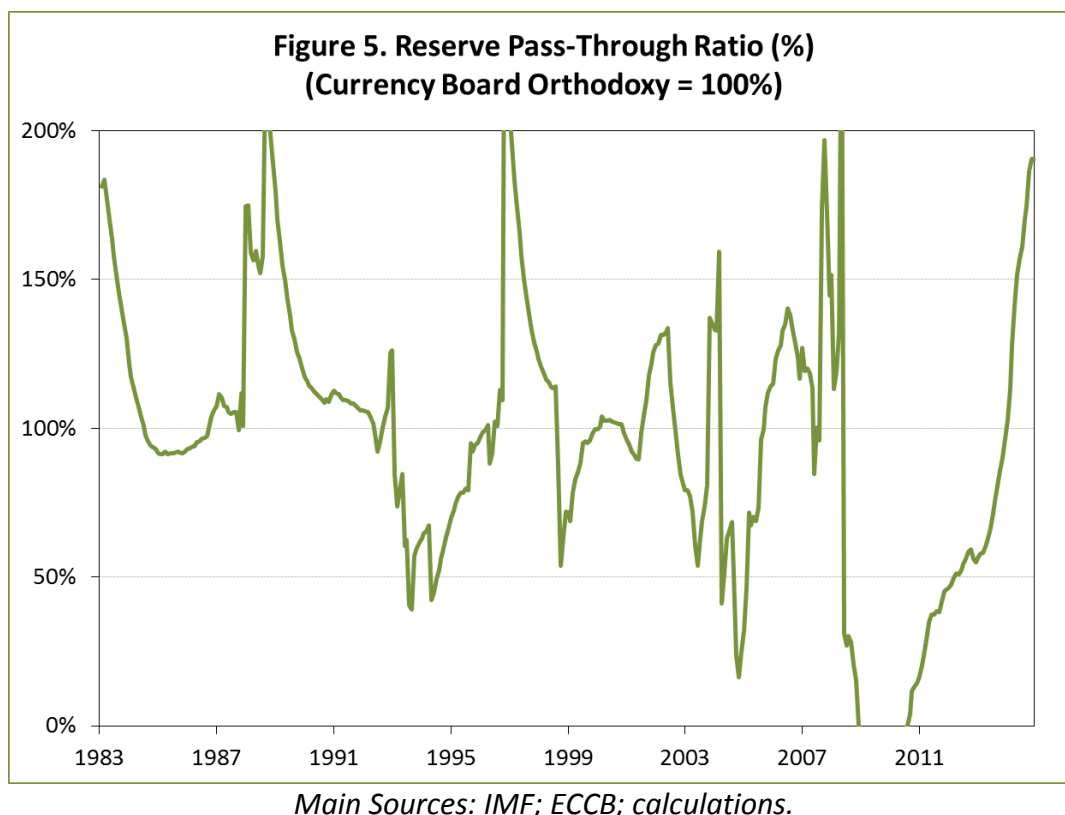


*Main Sources: IMF; ECCB; calculations.*

#### Fourth Test: Reserve Pass-Through

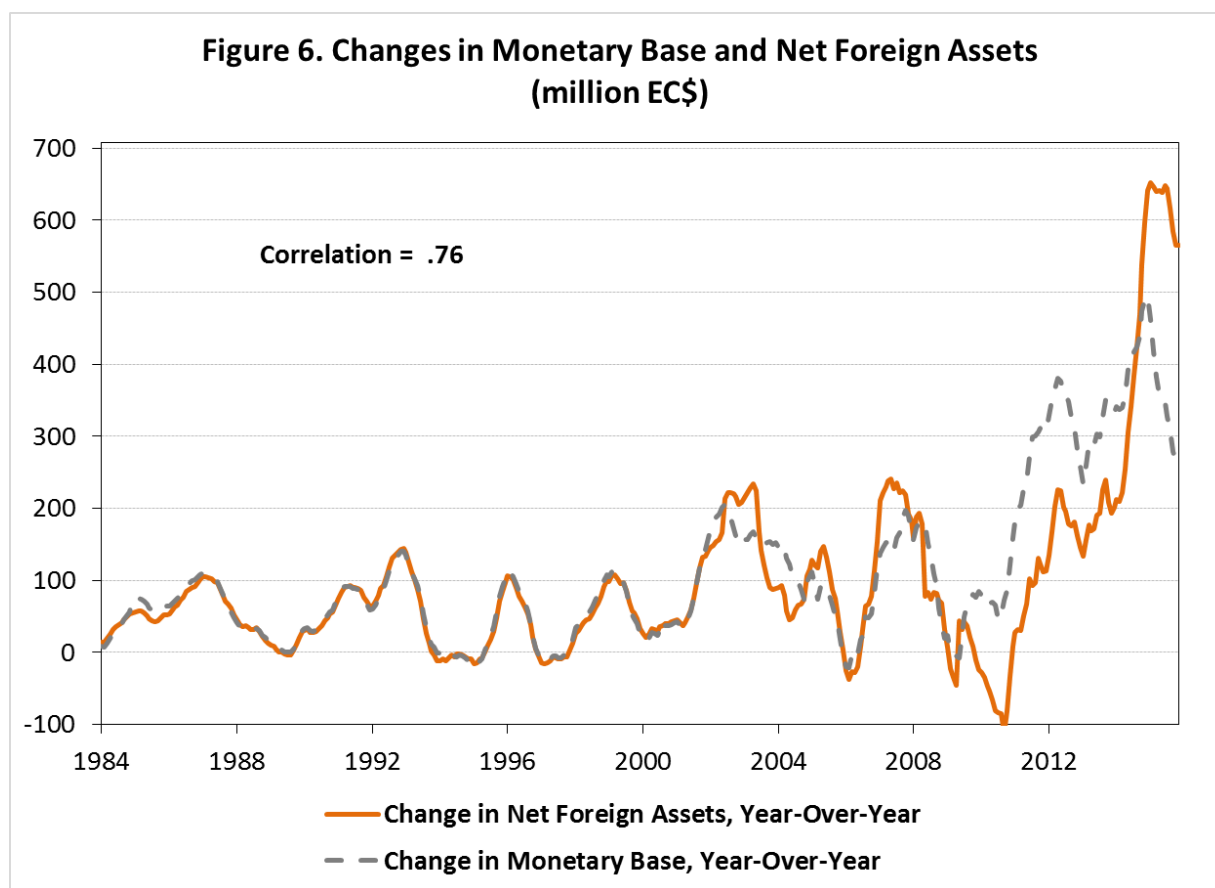
Our initial look at the constitution of the ECCB and our first run-through of data analysis suggested that the ECCB may have operated as a currency board in the past, as the IMF states, but it is not yet clear that this is still the case. A fourth test to run is the reserve pass-through test, which shows the yearly change in net foreign reserves over the yearly change in monetary base. This test tends to not only eliminate noise from isolated and aberrant events but also to eliminate seasonal effects. Orthodox currency boards should, in theory, run pass-through rates of 100 percent, but in practice, anything from 80 percent to 120 percent is close enough (Hanke, 2008: 280). What the reserve pass-through ratio indicates is the relative movement of the foreign reserves and monetary base – a reserve pass-through rate of 100 percent implies that an x percent increase or decrease in foreign reserves would be accompanied by that same x percent increase or decrease in the monetary base (Hanke, 2008).

As Figure 5 shows, the reserve pass-through ratio of the ECCB has seen relatively extreme volatility over the duration of its existence. The rate has no discernible equilibrium level and has fluctuated wildly between -100 percent and 200 percent, though it tends to stay in the 50 to 150 percent range. While the ratio has been less volatile since the meltdown of the global economy in the late 2000s, it has also been more extreme, dropping past -85 percent in July of 2010 before rebounding over the next five years to its present value of almost 200 percent. Reserve pass-through analysis has provided no strong evidence of the ECCB's currency board nature, and even its past orthodoxy is thrown into some doubt.



### Fifth Test: Changes in Monetary Base and Net Foreign Assets

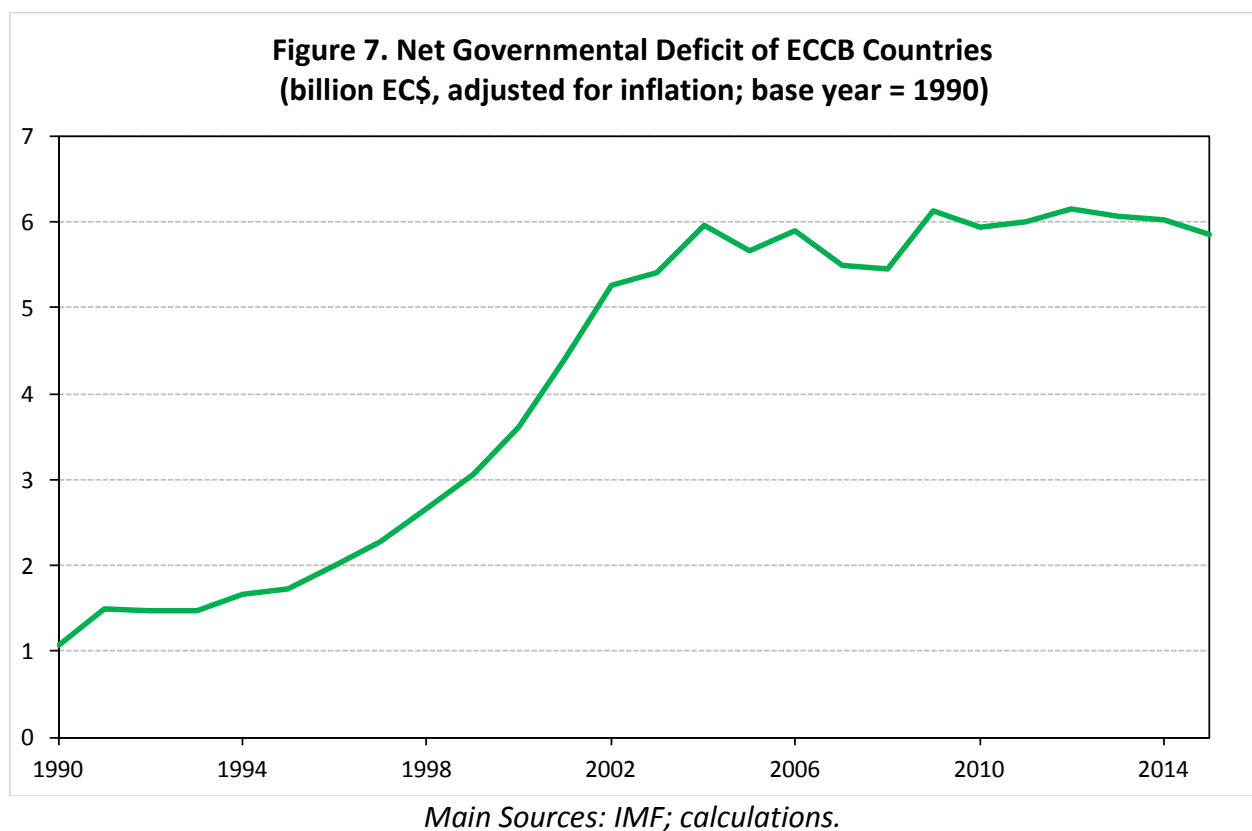
The fifth test performed on the data compares changes in the monetary base and net foreign assets. A tight relationship between the two would mean that when one rises or falls, the other does as well, which would hint at orthodoxy (Hanke, 2008). Figure 6 shows what we have already seen: net foreign assets and the monetary base were strongly linked for the ECCB's first 25 years before the relationship began to fall apart. The two movements were almost perfectly correlated until 2002, and after 2009, the two diverged even further. Since the Great Recession, the two values have generally held the same sign, but in 2010, the monetary base increased while net foreign assets decreased. This test again suggests that, while the ECCB functioned as an orthodox or near-orthodox currency board for two and a half decades, with the collapse of the global markets in 2008 came a shift in the ECCB's monetary policy.



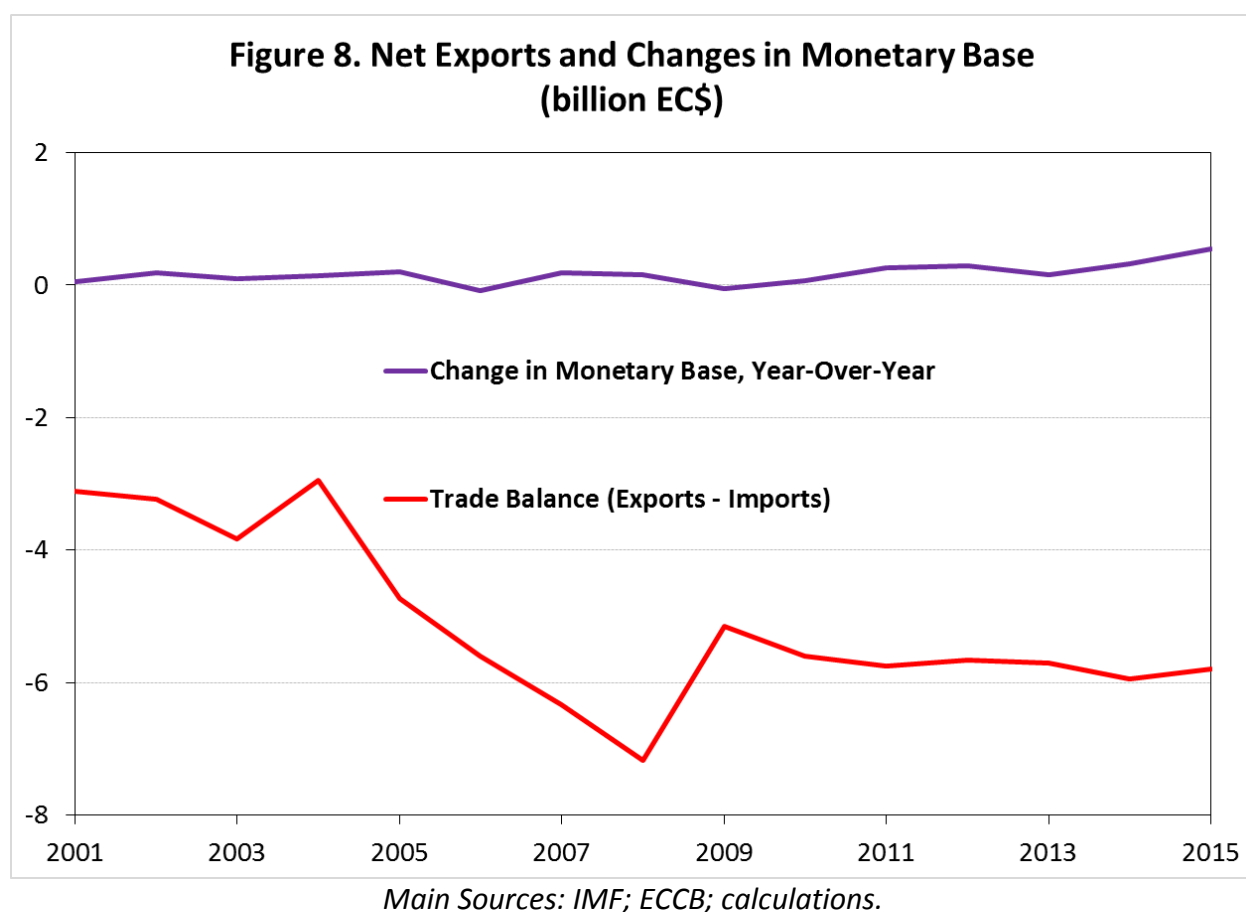
*Main Sources: IMF; ECCB; calculations.*

## Fiscal Discipline, Trade Statistics, and Lending to Banks

One of the primary motivations for implementing a currency board is the promise of fiscal discipline. As Prof. Hanke showed in his 2002 article in the *Annals of the American Academy of Political and Social Science*, currency boards work to curtail rampant government spending and result in a balanced or nearly balanced budget. Prof. Hanke calculated that, in 98 developing countries from 1950-1993, those countries with currency boards averaged a fiscal deficit equal to 2.2 percent of their GDP while central banks suffered from 3.7 percent (Hanke “Currency Boards”, 92). Using data from the IMF for the member states of the ECCB, we were able to calculate the net governmental deficit of the ECCB countries and then adjust those figures for inflation, using 1990 as the base year. Note that no data was available for Montserrat and Anguilla, so they were not included. That should have no major effect on the overall narrative presented by the data because the territories are so small. As can be clearly seen from Figure 7, the net government deficit has been very positive over the period from 1990-2015, although it has leveled off since 2004. If the ECCB has provided the fiscal discipline that currency boards do, it is not immediately apparent from this data.

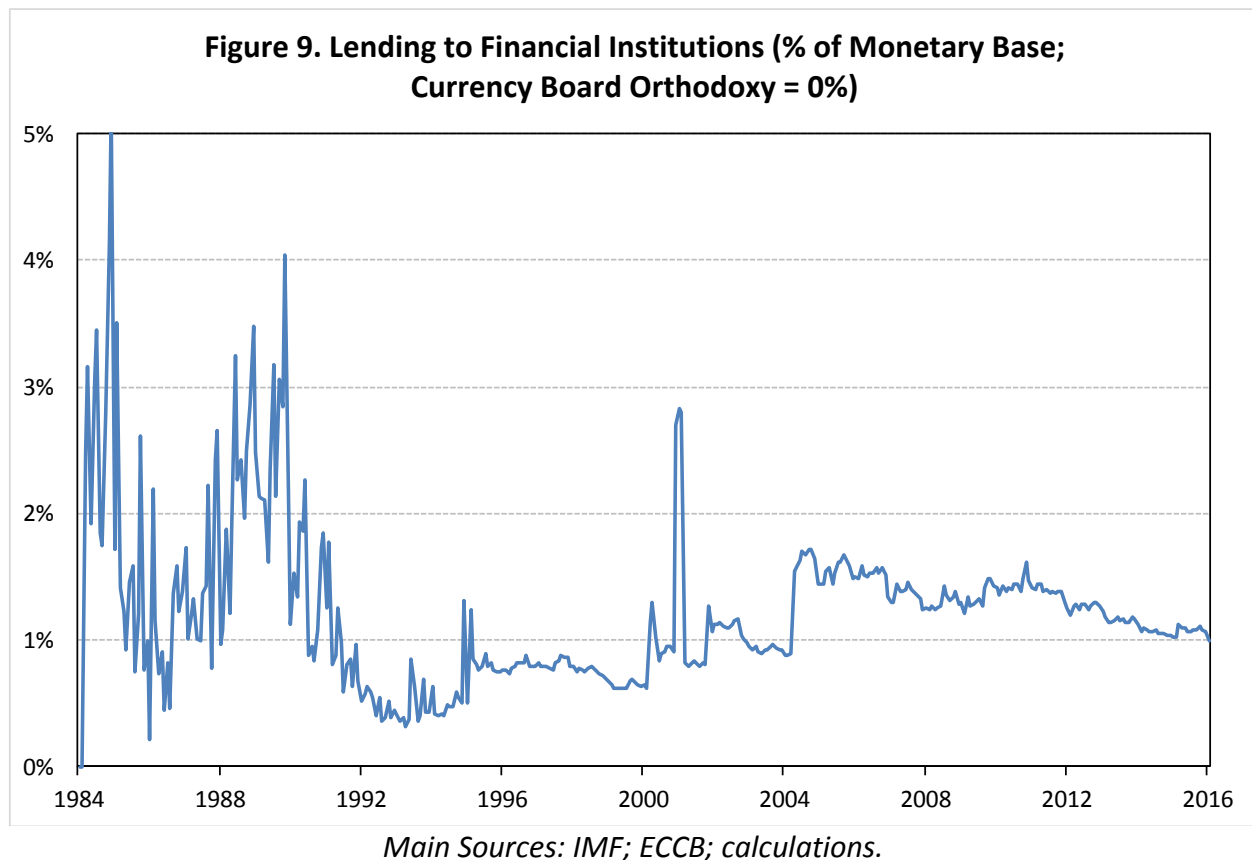


According to some academics, currency boards rely on trade surpluses to increase funds and widen the monetary base – that is, trade surpluses increase the monetary base and trade deficits decrease the monetary base. We graphed net exports and changes in monetary base to see if any relationship can be inferred. As evidenced by Figure 8, the two figures show no link: the monetary base increases year after year while the trade balance is consistently negative. Not only that, but the trade balance is very negative compared to the observed changes in the monetary base: net exports were often in the –EC\$5 billion range while the changes in the monetary base were usually positive, resting around a couple hundred million East Caribbean dollars. Either the theory linking currency boards, net exports, and monetary base is incorrect, the ECCB is not a currency board, or the ECCB currency board has had no effect on trade – we cannot say in this paper whether or not the theory holds, so no substantive conclusion can be drawn from this test.





A final measure of currency board orthodoxy is a monetary authority's lending to financial institutions, both public and private. Orthodox currency boards are explicitly designed to lack any discretionary policy, and any lender-of-last-resort capabilities or tendencies are enough to conclude that the monetary authority does not follow orthodox currency board policies. Figure 9 shows very clearly that the ECCB has lent to financial institutions throughout its history. Lending reached a maximum of 5.16 percent of the monetary base in December of 1984. Furthermore, every single month since the ECCB conception has seen a non-zero rate of lending, bottoming out shortly thereafter at .22 percent in January of 1986. This is a clear indication that the ECCB does not act – and has never acted – as a truly orthodox currency board.



## Conclusions

A careful examination of the laws governing the ECCB and analyses run on data thereof seem to highlight two distinct eras in the history of the ECCB. From 1983 until late 2008, the ECCB seemed to operate as a currency board – it was not orthodox, and it experienced some instability, but it certainly exhibited currency board tendencies. However, since that time, the ECCB's actions have been inconsistent with those typically seen in currency boards, and orthodoxy has been nowhere to be found. That is not to say that the ECCB is not a currency board, but the nature of its central bank-currency board dichotomy is now harder to surmise. It is also important to note that the ECCB was actually created with the intent of functioning as a central bank, not a currency board, though it functioned as a currency board for decades, nonetheless.

The ECCB holds remarkable power and authority, and it wields discretionary monetary policy that simply is not seen in other currency boards. The BCCB had the legal framework of a currency board – it was required to maintain net foreign assets equal to 100 percent of the monetary base as well as offer full convertibility to an anchor currency – and it lacked any notable powers or authorities associated with central banks. The ECCA – the BCCB's successor – was something of a hybrid central bank-currency board, wielding less power than the ECCB but more than the BCCB. The ECCB constitution, however, hands its Monetary Council and Board of Directors the power to assume full control of any of its member states' financial institutions, buy and sell assets or property of and for any financial institutions, appoint persons and establish any corporations it deems necessary, act as a lender of last resort, and more. Future studies could further examine the line in the ECCA agreement stating that it may “act as agent of the participating Governments either collectively or individually,” and seek mention of it in monetary policy releases.

That the data and laws do not agree fully on the nature of the ECCB raises another, more nuanced possibility: The ECCB may, to some extent, combine the advantages of both a currency board and a central bank. The ECCB benefits from the currency stability offered by a link to the U.S. dollar and the inflationary protection that arises from a linked monetary base and foreign assets while also maintaining the discretionary powers of a central bank.

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