

JAMAICA: THE WAY FORWARD

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There has been no significant growth in the Jamaican economy since 1975. In the early 1990s PC income had probably not attained the level of 20 years before. The latest ESSJ shows that real PC GDP in 1998 was about 6 percent below 1990.

This stagnation followed two decades of economic expansion. Before that the economy had been stagnating. For the 20th century as a whole the Jamaican economy has experienced about 20 years of rapid growth beginning in 1953, and 80 years of slow growth or outright stagnation. This will have to change.

The issue is not just growth, but growth that creates income and employment opportunities for the bottom 30-50% of the population: for the people in the inner cities, the rural population, for young people; so that everyone has a stake in the society. At present about one-third of the population live in absolute poverty, one sixth of the labour force is unemployed—but well over one-half of those in the 15-29 age group—and perhaps one-half of the employed labour force is living in conditions of economic insecurity.

Jamaican experience is that growth which leaves out a significant section of the population brings social tensions and political instability; which eventually impact on business confidence and investment and hence undermines continued growth. Thus the unequal growth of the 1960s paved the way for the political turbulence and economic decline of the 1970s. But the neoliberal policies of the 1980s and 1990s have not fared any better in terms of growth, and social and political tensions are once more on the rise.

Persistent increase in violent crime and social indiscipline and the simmering revolt in our inner cities attest to a marked depletion in social capital. In terms of human resources the national literacy rate appears to be declining. It now stands at 85.5%, one of the lowest in the English speaking Caribbean. Primary school leavers are said to exhibit low levels of functional literacy and numeracy, inadequate to prepare them for secondary education. CXC passes in the aggregate and in the critical subject areas of English, maths and the sciences are woefully small. In tertiary education we have a 7% enrolment rate which as the PM recently pointed out is about one-half of what it ought to be.

Now let us look to the future. In the year 2020 Jamaica's population will be around 3 million--more, if avenues for migration are closed off drastically; less, if fertility rates are drastically reduced. The Jamaican diaspora will likely be considerably greater than the

resident population and may be playing a much larger role economically and therefore socially and perhaps politically.

The natural resource base will have shrunk further due to resource depletion and degradation, though this trend might be arrested with determined resource conservation strategies.

So the target must be to provide productive employment for the expanded labour force and eliminate absolute poverty. To do this, a five percent rate of growth sustained over the 20-year period is probably necessary. This will need to be supported by national savings and investment rates in the high 20s and low 30s percent of the GDP. The proviso is that about two-thirds of the investment should be in productive (i.e. tradeable) goods and services and there should be a high rate of adaptive and creative innovation—research and development.

The global economic environment will have changed drastically: trade preferences will be a thing of the past. We will probably be in an FTAA, an REPA with the EU and in a much more liberalised WTO. With luck and strong negotiation, we may secure some transitional protection for our industries, but to all intents and purposes our tradeable industries will be competing globally.

All production whether manufacturing or services will be a highly information intensive and will require mastery of information technology to be competitive. This will apply whether we are talking about information services in the narrow sense or in any good or service such as tourism, consulting, banking or baking.

Our education system therefore has a double or triple task to accomplish in the next 20 years. First, to make up the gaps in functional illiteracy and innumeracy that presently exist. Second, to ensure that every school leaver is computer literate and to produce a large number of IT technicians. And third to revolutionise science and technology education both qualitatively and quantitatively. In other words to make up the *reversals* of the last 20 years; the gains that *ought to have been made* in the past 20 years and the gains that *should be made* in the next 20 years. It is a formidable task but the truth is we have no choice in the matter.

Global warming and climate change—intensification of hurricanes, for example--will have advanced significantly and sea level rise may have become a reality. Coping with this will also require a stronger economy and better technological and managerial capabilities as well as better social capital.

How to get there? The only hope is for the society as a whole—all the social partners—to unite around these goals. But at present there is little likelihood of a social partnership because of the huge reservoir of distrust that exists. I suggest that there are four underlying obstacles to long-term development in this country. They are not economic but are rather of a social and cultural nature. I call them “classism”, “colourism”, tribalism and “short-termism”.

Everybody here knows what I am talking about. Classism and colourism have divided Jamaica into social groups which dislike, fear and distrust one another. We seem incapable of co-operating in any long-term endeavour which involves sacrifices for the common good.

One of the ways this manifests itself is a persistent refusal of the privileged groups in the society—the elites of you like—to accept that their long-term interests are bound up with those of the masses, the majority of the population, the society as whole. They resist all encroachments on their traditional privileges and this makes it politically difficult if not impossible to devote sufficient resources to adequately educating the population, housing and adequate transport so that people can carry out their daily lives under decent conditions.

The other groups are busy defending their turf, or trying to expand it. None is thinking of the common interests of all, the national community.

Studies of the virtual elimination of the advanced capitalist countries have come to an interesting conclusion. Poverty was only reduced when the political will to do so was present, expressing itself into state policies and programmes aimed at providing a minimum standard of living to the working class and followed consistently over decades. And that political will only emerged when the elites in the society realised that if they didn't do it there would be revolution and they would lose everything.

That realisation is what is lacking in Jamaica. This may be because we are divided by race, colour and language. Or it may be because everyone in this society has one foot inside it and one foot outside. We feel we can run when the going gets rough so we are not willing to make the sacrifices.

There is also profound cynicism about government, perceptions of corruption and waste which make people unwilling to make sacrifices for government programmes.

Political tribalism complicates the situation. It divides the poor and impedes community mobilisation and unity of effort. It encourages one-upmanship at the expense of constructive engagement. It discourages strategic thinking and action which does not bear fruit within the five-year cycle. Which in turn leads to “short-termism”—a perpetual preoccupation with the NOW—the immediate, the budget cycle, the calendar year. Who in this society is thinking about the year 2020?

Prof Dani Rodrik of Harvard University's John F Kennedy School of Government applied econometric analysis to 97 countries to see how well they handled adjustment shocks of the 1970s and 1980s and resumed a growth path. His interest was in the social and institutional factors that influenced success in handling adjustment. His findings were interesting. The countries that handled adjustment most successfully were those with the most effective institutions of conflict management and good governance. The social agents in these societies were able to come to an early accommodation among themselves

as to the distribution of the costs of adjustment. Bad performers were those in which the social agents were in continual distributional conflicts, so that stable and consistent policies were not established.

In other words an effective social partnership results in stable coherent macroeconomic policies in which both business and labor have confidence. This encourages business investment and labour productivity and hence growth.

Havelock Brewster of the UWI, UNCTAD and the IDB compared the post-independence performance of Jamaica and Barbados. Starting out from a similar level of income but with a far less natural resources, Barbados has outperformed Jamaica in every front over the past 30 years. Brewster concluded that the main reason was social capital. Barbados has a high degree of social stability which rests on an accommodation among the main social partners: the white business class, the black working class, the black political class and the emergent black business class. The accommodation results in a high public investment in mass education and economic infrastructure, consistently strong private investment, responsible fiscal policies, and exchange rate stability.

Jamaica is a different society and I am not saying that everything that works in Barbados will work in Jamaica. What I am saying is that if we don't devise an effective social partnership then I don't think our growth performance in the future will be any better than in the past. And continued no-growth means continued social fragmentation with the possibility of a descent in outright anarchy. This is not an option.

The way forward, the 20-20 Vision, is only possible in a framework of social partnership and consensus or it will not be possible at all.

Now how do we bring this about? I don't think the RoundTable Consultations, as they are presently structured, is the way to go. This results in "wish list" from interest groups. The trouble with wish lists is that price tags, trade-offs and commitments by those making the proposals are never discussed.

What I think should happen is this. First identify who the social partners are. Lets say they are business, labour, the political parties, the Churches, and so on.

Next put three questions to each partner:

1. What is your vision for the future of Jamaica? Or if you like, what goals do you have for Jamaica for the year 2020?
2. Second, what are you willing do, as a social partner, to bring that vision about? Be as specific as possible.
3. Third, what do you believe each other social partner to do to bring that vision about. Be a specific as possible about each social partner's responsibility as you see it.

The social partners would be asked to have consultations with their respective constituencies before answering the questions, or rather as part of the process of coming up with the answers. The aim is to end up with a concise statement from each partner under each of the three headings: Vision, My responsibilities, the Responsibilities of others.

Then next stage is a deliberate process of dialogue and negotiation among selected representatives of the partners with the aim of arriving at a consensus on the above questions. At the beginning there should be some overlapping of the respective positions—some common ground at least, on the Vision (eg no poverty, a safe Jamaica, etc). so the first step is to get sufficient agreement on the Vision and Goals that a framework for the discussion of responsibilities can be established.

Next is the dialogue on mutually perceived responsibilities. Lets say we begin with the responsibilities of government. First, the government would outline what it sees to be its responsibilities. The other social partners would then outline their perceptions of this. The areas of overlap are identified and the points of disagreement are noted. The disagreements are negotiated until a statement is arrived at that everyone can live with.

The same process is followed with respect to the responsibilities of business, labour, and the principal agents of civil society.

In other words the desired end result is a statement of Vision, Goals and Responsibilities that every social partner will subscribe to. This is the Consensus Document. The Consensus document becomes the basis for a second set of consultations and negotiations on a Social Partnership. The partnership is about more specific macroeconomic goals and strategies for the next 2-3 years, as stage 1 in arriving at the 2020 year vision.

To illustrate, suppose the vision and goals were what I set out earlier. Say five percent minimum annual growth over the next 20 years, supported by 25-40% savings and investment rates, 65%-35% balance between directly productive investment and infrastructure; the goals for 2020 being elimination of poverty and un- and underemployment, universal primary and secondary education at first world standards, emphasis on S&T education and training at the secondary and tertiary levels.

That might be the long-term, the consensus. Now to the possible elements of a social partnership agreement to take us out of the present crisis and onto that path (some of these were outlined in my newspaper article).

- Government would agree to adopt a fixed exchange rate system with adequate reserves and strict fiscal and monetary policies to defend the rate. The understanding would be that labour and business would commit themselves to specified maximum targets for wage and price inflation. (There are two options here. One is to fix the rate at the present value, say J\$40 to US\$1. This requires more NIR to back the currency fully so there would have to be agreement on this. The other option is to fix the rate at that value where the present NIR would provide full backing. This would involve say

15% devaluation and there would have to social partner agreement such that runaway inflation doesn't happen).

- On the basis of this, Government and the financial sector would jointly undertake to bring interest rates payable on government paper down to within 3 percentage points above the target inflation rate by the end of this fiscal year. This is also about 3 percentage points above the yield on overseas securities.
- The commercial banks would undertake to reduce lending rates down to no more than 6 percent above the target inflation rate, which would be about 12 percent.
- Measures would be agreed on how to encourage the expansion of credit into the productive sector as distinct from consumption imports.
- The amortisation schedule for government LRS is jointly reviewed by government and the financial sector with a view to determining a mutually agreed method of reducing the burden of amortisation in the present fiscal year and the next two fiscal years and pushing them back into a band of 5-10 years from now.
- The first call on the savings from the reduction in interest and amortisation on the public debt would be the reduction and elimination of the deficit of central government by 2000/2001.
- The balance of savings would be used to finance capital programmes aimed at refurbishing and expanding schools, roads and the inner cities.
- Government would agree to embark on a programme of ruthless elimination of waste, inefficiency and corruption in public spending and to the establishment of credible citizens watchdog committees as one of the measures
- The Government's programme for improved tax collection and administration would be fully supported by the other social partners, including consideration of specific mechanisms for cooperation proposed by Government
- Labour, business and management would agreed restraints on wages and management remuneration in the public and private sectors as part of a package for exchange rate stability and maintaining internationally competitive costs of production
- A specific programme for the renewal of inner cities is developed with strong community involvement, which addresses the issues of security, jobs, skills training, housing and "respect"!

Is it too much to hope that we could all sit down and discuss this? Perhaps this group can make a start.

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