CHAPTER II

ECONOMIC SURVEY OF JAMAICA

As has been noted in the previous Chapter, the lending
policies of IMF and World Bank began undergoing change
nearly from the mid-1970s. The shift was clearly marked
from balance of payments or project-based lending towards
economic restructuring of what were considered as essen­
tially state-led import substituting economies in developing
countries. Interestingly, Jamaica became the first Carib­
bean country to receive its balance of payments support in
1975 and since then has, of all the Caribbean countries,
received the largest number of support programmes from IMF,
World Bank as well as the largest amount of bilateral aid
from the United States. Touted as the showcase of IMF
perceived restructuring, what is significant is that not
only has restructuring become an unending exercise but it
has also failed to produce the necessary changes in the
economy, notwithstanding reports of satisfactory performance
from the IMF.

Why is it so? Is it the limitation of development
strategies or persistence of the structures of a plantation
economy that impeded the policies of structural adjustment?
Or is the overwhelming dependence on bauxite mining and its
export that limit possibilities of growth and development? Economic development policies and thinking since the 1940s were outward oriented. With the discovery of bauxite, Jamaica adopted policies welcoming foreign investment in bauxite and other areas. Influenced by the ideas of noted scholar, Arthur Lewis, liberal economic policies hoped that the rising investments in bauxite would help industrialize the economy -- producing for external market and substituting for many of the imports -- and thus enable Jamaica to free itself of the bind which had made it, like rest of the Caribbean countries, a dependent plantation economy. The policies of 'industrialization by invitation' had after nearly two decades only mixed result to show. By 1970s, the economy had become industrialized and diversified to an extent; however it was more than ever dependent on a single export product viz. bauxite. The decline of bauxite and the effects of a pattern of distorted development had by 1970s produced a crisis situation that could not be resolved even through democratic socialist measures.

The present Chapter examines these and other related issues. The first section highlights the features of Jamaican economy and scholarly debate in the wake of the discovery of bauxite in the 1940s. The second section critically evaluates the economic policies and performance in the
period of 'industrialization by invitation'. The last section examines the context of the 1970s when the bauxite boom had come to an end; and apart from the economic crisis, the country was faced with new political forces. The new socio-political context of the 1970s had, as has been discussed elsewhere, ushered a brief period of democratic socialism.

Features of the Jamaican Economy

The economy of the Caribbean island country of Jamaica can at best be described as a "modified plantation economy." A former sugar colony of Great Britain, Jamaican economía.

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1. The plantation economy that evolved in the Caribbean is by definition a dependent economy; it is the result of Caribbean land, African labour and European capital. Lloyd Best identifies the following stages in the development of the plantation dependent economies in the Caribbean:

(i) the pure plantation economy (1600-1838) - which coincided with the period of slavery and there was no other economic activity besides plantations;

(ii) the modified plantation economy (1839-1938) - period in which slavery was abolished, and a marginal peasant economy developed alongside the plantations;

(iii) the further modified plantation economy (1939- ) - a period of even more diversified economy developed when new staples such as bauxite and petroleum, and a modest industrialization in accordance with Lewis' prescription were developed. However, the heritage from plantation economy continues to paralyse economic development.

For further details, see Lloyd Best, "Outlines of a Pure
remains acutely dependent on overseas capital and supplies to run its plantations -- chiefly sugar and bananas -- and from the 1940s its bauxite mining sector. Even more noteworthy is the country's structural dependence on foreign markets with the need to secure a preferential treatment for its agricultural and mineral exports. Overall, the economy remains geared to producing goods and capital surpluses for the advanced countries much in the same way as it was doing before gaining independence in 1961. A monoculture export dependent economy, Jamaica has on the one hand, a large self-supporting subsistence agricultural sector, that since the turn of the century been stagnating. A country with limited arable land had as early as the 1930s brought to close the expansion of the peasant sector and whatever little diversification the economy could permit in areas such as artisan manufacturing. Thus, while agriculture remains characterized by low productivity employment, under- and unemployment, on the other hand there are large sugar and banana plantations which have failed to generate any large scale economic momentum despite undergoing a degree of modernization.

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Modernization of sugar plantations and the beginning of banana cultivation had towards the end of the 19th century initiated a process of economic diversification. Besides larger budgetary outlays for infrastructural development such as railways and dock development along with creation of small manufacturing units had marked a modicum of change in the plantation economy. However, it was with the mining of bauxite from the 1940s that foreign investment began rising and Jamaican economy became even more closely integrated with the economies of the advanced countries.

It was around this time that Caribbean scholars began analysing the nature of underdevelopment and the appropriate strategies of development in the region. Among the writings that influenced both economic policies and thinking, the most notable were those of the Nobel laureate Arthur Lewis. Arthur Lewis advocated an industrialization strategy based on foreign investments that would not only substitute imports but also diversify the exports from the region.² He

² The best exposition of Lewis' idea is found in his well-known essay 'Economic Development with Unlimited Supplies of Labour' wherein he argues that underdeveloped countries have dual economic structures - a modern, industrial and capitalist economy alongside a traditional agricultural self-supporting economic sector. In analysing the nature of underdevelopment Lewis draws considerably from his study and insights of Jamaican economy of 1940s. For details, see Arthur W. Lewis, "Economic Development
argued strongly that the production of raw-materials for the world market alone will not raise the material standard of the Caribbean countries which are faced with the acute problem of over-population. With population growing at the rate of 1.5 to 2.0 per cent annually throughout the English-speaking Caribbean and, besides, the mechanized nature of plantations simply meant inadequate agricultural production to feed an ever growing population. Industrialization would create new opportunities of employment off the land and thereby mitigate the problem of over-population. Borrowing from the example of Puerto Rico, Lewis suggested a pattern of industrialization that would bring out the comparative advantage of cheap labour. In a region devoid of industry, the government was bound to build some beside spend on infrastructural development so that subsequently private initiative could be stimulated. With foreign investments flowing into the bauxite sector, Lewis recommended foreign investments in export industries too. According to him, the islands in general lacked resources and should therefore follow a development model which concentrated on

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3. The decreasing number of women employed and the increasing number of unproductive jobs were all indicative of over-population.
exporting industrial goods and importing food and raw materials. Certainly, he did not deny the significance of the agricultural sector and emphasized that the growth of both agriculture and industry should reinforce each other rather than be competing. However, since agriculture - both plantations and self-supporting agricultural activities - cannot absorb the ever rising population, industrialization alone is the way out. The need is to take this disguised unemployment, which agriculture is sustaining and harboring, out and turn it into a saving potential.

In short, central to Lewis' thesis of foreign capital fed development was the availability of a constant low-waged labour and the assertion that this low-waged labour would attract foreign investments and surpluses of bauxite companies that would be ploughed back into the export-oriented industries. He argued that scarcity of capital, skills and technology make it imperative for Jamaican and other Caribbean islands to attract foreign investments in the primary sector as well as in industries that would diversify their exports and substitute for many of their imports. With productivity of the over-population engaged in the agricultural sector near zero, the need is to strengthen and expand the modern capitalist sector. To succeed in such a development strategy, he suggested orthodox measures including
devaluation, export incentives, measures to increase productivity, and an income policy which would keep wages down. He had strongly negated an import substituting development strategy based on domestic resources since it would be cost inefficient. For instance, the cost of processing and refining bauxite is much higher in Jamaica and companies therefore are processing the bauxite in US and elsewhere, he argued.

Lewis' ideas aroused a debate among scholars in the region. A loosely-knit group called the New World Group (NWG) of scholars questioned Lewis' ideas and underlined the need for structural reforms so that dependent plantation economies could embark on the path of a more independent development. Disagreeing with Lewis' thesis, for instance, Owen Jefferson opined that Lewis' analysis of the high costs of production did not contain any reference to excess profits, inflated prices of land owned by bauxite corporations and the low efficiency of the management of a number of companies - factors which affected costs of production.4 On the need for foreign capital, Jefferson contended that a very large share of the surpluses generated in the economy

accrued to foreign firms which had invested in some of the most profitable sectors. However, such surpluses tended to be exported - something that Lewis had not taken into account. For instance, between 1959 and 1969, foreign capital flowing into Jamaica amounted to approximately J$ 375.8 million, while the amount of profit flowing out of the country was about J$ 398.8 million. Criticising Lewis' ideas on development, Jefferson asserted that what was needed was not more foreign capital but radical structural reforms, for instance, reforms in the agricultural sector and a larger role of state in the economy.

Questioning the strategy of industrialization as put forward by Lewis, other scholars in the region began to develop fresh insights into the causes of underdevelopment. To these writers, what was of significance was the problem of foreign involvement in the Caribbean, particularly the

5. Ibid.

6. The so-called New World Group (NWG) at the University of the West Indies began analysing a specific Caribbean situation through the framework of dependencia. The NWG was a loosely-knit group of scholars that was wanting to develop an indigenous view of the region. Prominent among them were Alistair McIntyre, Clive Thomas, George Beckford, Havelock Brewster, Lloyd Best, Norman Girvan, Owen Jefferson, Oslando Patterson, Trevor Munroe, Walter Rodney and William Demas. For an analysis of economic dependence in the Caribbean, see Norman Girvan, "The Development of Dependency Economics in the Caribbean and Latin America: Review and Comparison", Social and Economic Studies, vol. 22, no.1, March 1973, pp.1-33.
impact of external influences on local development. In the context of the Jamaican political economy, special attention was focused on analysis of underdevelopment in the bauxite and plantation sectors. In contrast to the generally held view that foreign investments were instrumental in assisting development in the Caribbean, Norman Girvan asserted that multinational capital has only promoted economic underdevelopment in Jamaica. Underlying the imperative need of structural change, Girvan was critical both of foreign investment in the bauxite sector as well as the strategy of industrialization advocated by Lewis. He advocated redesigning the role of foreign capital so that it could complement rather than attempt to substitute the necessary structural changes. Foreign investment in the capital intensive bauxite sector has promoted only further underdevelopment of other sectors importantly agriculture; accentuated the problem of unemployment and income inequalities by creating a small group of high wage labour, besides deepening the dependency syndrome. Structural changes are admittedly necessary and should have certain basic features in relation to the agriculture, mining, manufacturing, financial and


8. Girvan, n.7.

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government sectors. In the agricultural sector, Girvan called for the displacement of what he described as the "plantation - peasant farm pattern of organization". He called for redefining the landholding system so that the scarce land resources of Jamaica could be used more intensively for producing foodstuffs for domestic consumption and avert dependence on food imports. Without specifying the strategy he called for the transfer of ownership of and decision-making in the bauxite sector from the multinational corporations to national control. He clearly ruled out measures such as nationalization; instead favoured high taxation and production levies in the bauxite sector. A strong degree of national control is necessary for planning in the long-term the use of land in bauxite mining with policies of agricultural development.

The changes to be brought about in agriculture and mining implied a different role for the manufacturing sector. In the medium-term, manufacturers will and can develop by transforming the products of agriculture and bauxite. This will reduce the import-content of food consumption, and

9. Ibid.
10. Ibid.
11. Ibid.
value and foreign exchange to exported bauxite products, and divorce the growth of manufacturing from the importation of intermediate goods.

These measures will have necessary implications for the nature of the role of the financial system, and of government in the economy. The financial institutions, and the credit policies have to be geared to discourage surplus or luxury consumption and encourage savings especially out of increased income. Lending and investment policies need to be reformulated so as to support the changes and expansion in the agriculture, mining and manufacturing industries. Besides, public sector enterprises and development planning be strengthened for the achievement of a planned structural change.

Elaborating on his theme of the 'modified plantation' economy, George Beckford argued that there exists a continuity of the major features of plantation society, which replicated on a larger scale those of the original slave plantation. The plantation economy had generated underdevelopment through a number of mechanisms; important among them being the insignificant linkage and spread effects of plan-

tation production, restricted domestic food production due to land requirements of plantation production, continuous deterioration in the terms of trade, and characteristics of racial and class divisions within the plantation economy.\textsuperscript{13}

The persistence of these mechanisms have perpetuated dependency in Jamaica, and the Caribbean in general. The plantation economies which evolved in the Caribbean were oriented toward serving the metropolitan interests, and thus prevented the development of an internal momentum strong enough to ensure that surpluses were returned to the region.\textsuperscript{14} An important feature of present day dependency \textit{viz.} the bias toward the utilization of domestic resources in the production of primary exports had emerged during the colonial period. Indigenous resources continue to be used exclusively at the dictates of capital accumulation in the metropolitan countries.\textsuperscript{15} Further, what is consumed through the market is, largely, imported and does not reflect the needs of the large population. The region continues to be dependent on a few primary product exports, which has made it highly vulnerable to fluctuations in international trade.

\textsuperscript{13} Ibid.


\textsuperscript{15} Ibid.
What emerges from the preceding is that the internal aspects of Jamaica's political economy, like that of the rest of the English-speaking Caribbean islands can be understood only in the context of the international economy. A plantation economy created to cater to the needs of Great Britain, Jamaica did not experience any major change despite a degree of economic modernization and diversification. Rise and decline of the banana cultivations in the early decades of the 20th century and the beginning of the bauxite mining in the 1940s were all in response to external stimulus and demand for those products. A major change was in the source of foreign investment. With US and Canadian companies investing in bauxite and some in tourism and manufacturing, Jamaican economy sustained positive growth rates but enhanced its vulnerability to external market forces. As the next section highlights, none of the problems that had characterized the plantation economy viz. low agricultural productivity, high levels of unemployment and dependence on agriculture disappeared in the wake of the foreign capital financed export-oriented strategy of industrialization; rather some of those problems were to accentuate, e.g., decline in agricultural output despite data indicating higher levels of industrialization and overall diversification of the economy. As Lloyd Best has argued a
plantation economy remains somewhat artificial and works as appendage to the economy of the metropolitan country or countries. Abolition of slavery, modernization of sugar plantations, and diversification in the form of banana cultivation and bauxite mining did modify the plantation economy but changed neither its mono-culture export orientation nor created any linkage between the export products sector and rest of the economy. Jamaica continued to serve the need for goods and capital by metropolitan economies in the fashion of a plantation economy. As Girvan argued foreign investments in bauxite has created an enclave sector, reduced linkages with the domestic economy and enhanced dependence on foreign investments, technology and preferential treatment of exports. Besides, Beckford argues, features of a plantation economy viz. reduced food production for a rising population and adverse terms of trade have continued to characterize the economy since the 1940s. Arthur Lewis had advocated an export-oriented industrialization programme financed by foreign investments. His argument that the surpluses generated by the bauxite sector could be ploughed back into the manufacturing and related areas was based on the availability of a stable, low-waged labour. Bauxite sector did attract large foreign investments, so did manufacturing and tourism. But as Owen Jef-
ferson had demonstrated, surpluses were accruing to the bauxite companies which either invested in profitable areas or exported them out of the country. A little appreciated aspect of such a dependent development process is the fact that interest in the bauxite sector was more on account of the availability of cheap labour and cheap bauxite. As the demand for bauxite declined in the US and elsewhere, and new sources of a better quality bauxite were discovered, Jamaica lost attraction for foreign investors. Both tourism and manufactures could not sustain the growth rates from the late 1960s; agricultural activity had already declined; and therefore, governments with falling revenues have since then had little control over a sliding economy.

Economic Performance

As highlighted earlier, economic development policies since the mid-1940s were influenced by the ideas propounded by Arthur Lewis in favour of bauxite-based export-oriented industrialization programme. The NWG economists were critical of Lewis' strategy of industrialization and highlighted the structural weaknesses of the Jamaican economy. The economic development processes since the end of Second World War up until 1972 did industrialize and diversify the island economy; yet at the same time compounded the structural weaknesses so much so that by mid-1970s Jamaica had to go in
for the first in a series of SAP of IMF.

As the following discussion indicates the economy prior to 1970s registered growth albeit with sharp fluctuations; foreign investments flowed into mining and manufacturing; agriculture's contribution to GDP declined in absolute terms while that of mining and manufacturing increased.

From the 1950s, the Jamaican economy registered positive growth, with, however, sharp fluctuations in the growth rates. This was a period of steady influx of foreign capital, the launching of the bauxite alumina industry, and an expansion of manufacturing, tourism, construction and government services. The bauxite industry was the main engine of growth; from 420,000 metric tonnes, the output had grown to 12,989,000 metric tonnes by 1972.16 By the 1970s the bauxite sector accounted for 8 to 14 per cent of GDP and was responsible for over 70 per cent of the value of Jamaican exports late in the decade.17

Other sectors like tourism and manufacturing, too, grew during the period. Such a trend was sustained by high rates


of investment and savings. The ratio of total investment to GDP rose from 10.2 per cent in 1950 to 23.9 per cent in 1959.\textsuperscript{18} In the early 1960s the ratio declined to 17.9 per cent in 1963 but then increased to 32.1 per cent in 1971.\textsuperscript{19}

As for domestic savings, the rate of increase was from about 13 per cent of GDP in the early 1950s to an average of about 22 per cent in the second half of the 1960s.\textsuperscript{20} Housing and other constructions, agriculture, and industries producing for the domestic market were entirely financed from domestic sources.

Thus, as Table 1 indicates by the 1970s structural shifts within the economy as demonstrated by changes in the industrial origin of the GDP had taken place. As indicated further, agriculture declined in importance while manufacturing and distribution had become the major contributors to the GDP; mining became a major industry, and government services increased. The massive influx of foreign capital into bauxite mining and processing was the centre piece of the economic growth of post-war Jamaica. The industry was dominated by foreign multinationals based either in Canada

\begin{itemize}
\item \textsuperscript{18} Stone and Wellisz, n.16, p.162.
\item \textsuperscript{19} Ibid.
\item \textsuperscript{20} Ibid.
\end{itemize}
or the United States. All of its bauxite and 25 per cent of alumina were exported to the US.\textsuperscript{21} To meet the growing demands of domestic arms industry and space programmes, the US government strongly encouraged the bauxite industry to expand by allowing it to qualify for accelerated depreciation under the 1950 Defence Production Act. Aluminum ingots produced within five years of the start of an operation could be sold to the US government strategic stockpile if there were no willing commercial purchasers.\textsuperscript{22} This was done to eliminate the risk of over-expansion of processing capacity. Such a policy led to a direct demand for Jamaican bauxite. The original target of 2.6 million tonnes was reached by 1958; by 1965 production had reached 8.9 million tonnes.\textsuperscript{23} During the period, 1952-1962, the share of bauxite and aluminum export had increased from 2.3 per cent to 48.4 per cent of GDP. And the industry became one of the leading sources of government finance, about 16 per cent of government revenues and paying more in taxes than the corporate sector by fiscal year 1961-62.\textsuperscript{24}

\textsuperscript{21} Stone and Wellisz, n.16, p.165.
\textsuperscript{22} Ibid.
\textsuperscript{23} Ibid., p.166.
\textsuperscript{24} Girvan, n.7, p.61.
The dependence of the economy on the bauxite-alumina industry had intensified by 1972, accounting for more than 12 per cent of GDP. But beneath such impressive performance, fueled largely by large doses of foreign capital, were forces that were to plague the economy in subsequent years. First of all, the decline of the agricultural sector's contribution to GDP between 1950 and 1972, though suggested a diversified economy, had negative consequences. Since two-thirds of the Jamaican population resided in the rural areas, the decline had actually lowered their standard of living. A corollary of this was food dependence on imported food which drained away funds that could have been invested. Secondly, the growth in the bauxite alumina industry and in the urban industrial sector did not lead to a fall in the rate of unemployment. The mining, refining, manufacturing and construction sectors all were of a highly capital-intensive nature and thus failed to increase employment opportunities commensurate with the growth of GDP.

25. It has been estimated that the fixed capital investment required to provide one additional job in the import substituting industries was $5,402, $6,079 and $7,435 in 1966, 1967 and 1968 respectively. In a country where capital is the scarce factor, it is difficult to see if this form of industrialization led to a reduction in unemployment. Though employment in the manufacturing sector increased from 76,600 in 1968 to 88,700 in 1972, unemployment during the same period rose from 18.5 per cent to 22.8 per cent; a result which illustrates that industrial growth did not alleviate the employment problem.
population -- which averaged 2.5 to 3.0 per cent since the 1960s -- and rapid urbanization. During the period 1962-1972, unemployment as a percentage of the total labour force had increased from 12 to 24 per cent. Further, both the relative and absolute income of the poorest 30 per cent of the population had declined between 1958 and 1968.

Thirdly, the mineral-led development programme entailed huge losses by way of repatriation of profit and relied upon massive imports of raw materials and energy. The internationally integrated system of operation of the industry was a further obstacle in introducing taxation policies.

Fourthly, no difference was the case with manufacturing industry. Industrialization concentrated more on substituting the imported consumer goods. While share of consumer goods declined, raw materials and intermediate imported share remained constant because some of these inputs were non-competitive and because low tariff on these goods made

28. Ibid.
29. Girvan has argued that "because of the peculiar problem of taxing a commodity which is not sold, but merely transferred between branches of the same company, the industry was considerably under taxed". For further details, see Girvan, n.7, p.261.
it more profitable to import them than to import substitutes. The share of scarce capital goods rose because of investments in industrial sites, import substituting industries and in the export industries of tourism and bauxite alumina.

Fifthly, the import coefficient, measured as the division of imports by GNP, remained constant averaging 48 per cent for 1954-1972, as shown in Table II. The stable import coefficient may have been due to the capital expansion, inflows of foreign investment, loans and grants. As for exports, these remained concentrated in a few commodities: bauxite-alumina, sugar, banana and citrus. The percentage contribution of exports of these commodities declined rapidly from 70 per cent in 1954 to 25 per cent in 1972. Exports of crude materials -- bauxite-alumina -- dominated the economy. That of manufactured goods was highly uneven and insignificant. That is to say, the strategy of industrialization during the period did not lead to any appreciable diversification of the exports of commodities. The export coefficient, measured as the division of exports by GNP, increased from 29.5 per cent in 1954-55 to 39.5 per cent in 1971-72, averaging 37 per cent for the period, 1954-1972. Thus the economy became more vulnerable to the external forces of world trade.
Sixthly, the trade balance too had deteriorated. Commodity exports which had accounted for nearly 82 per cent of the value of commodity imports in 1954 declined to 59 per cent by 1972.\textsuperscript{30} This was contrary to the objectives of the policy of import substitution. The rise in deficit in trade for the period 1954-1972 were further augmented with revenues from tourism, which became the second largest earner of foreign exchange by 1972, foreign direct investment, loans and grants.

In this context it would be worth the while to summarize the sources of growth of selected manufacturing industries. Table III shows the sources of growth, \textit{viz.} expansion of domestic demand (EDD), export expansion (EE), and import substitution (IS) for 1960-65, 1965-70 and 1960-1975 respectively.

It is observed from the data that during 1960-1970, EDD was almost 60 percent of the growth of output in the industries. The production of manufactured goods in most industries were geared to meeting local demand. EE accounted for a moderate 10 percent of the increased industrial output. The inability to augment exports of industrial goods has

been attributed to the weakness of the fiscal policy. The tariff structure fixed low tariffs on machinery and capital equipment, say 5 percent; higher tariffs on processed raw materials -- between 12 and 15 percent--; and highest of all on consumer goods. Within the consumer goods category, the rates were higher on luxuries and semi-luxuries such as footwear than on necessities such as rice.\textsuperscript{31} The system of tariff protection provided a subsidy to the importation of capital goods and produced a tendency to use capital-intensive techniques regardless of the country's available and abundant factor endowment, say labour. The tariff structure had the deleterious effect of making it profitable to concentrate investment, say, in the assembly of radios rather than in the production of essential goods. This could be one of the reasons for the sluggish growth of agricultural output--2.5 percent for 1954-1972-- and the continued dependence on food items.\textsuperscript{32}

Further, the inability of import substitution to effect significant changes in the share of manufactured good exports may have been due to the non-competitiveness of these

\textsuperscript{31} Tariff rates were 30 per cent on footwear and 3 per cent on rice.

\textsuperscript{32} Gafar, n.30, p.151.
exports or to the lack of available markets. Access to foreign markets essential for the stimulation and expansion of exports was an effective constraint.

As for the effects of fiscal policy, exchange rate policies created new problems for the expansion of industrial goods exports. The inability to expand exports of industrial goods is associated with the exchange rate policy. The export-import ratio suggests that the exchange rate was over-valued and this acted as a detriment to export expansion and diversification. Import substitution did make a contribution to the growth of industrial output between 1960 and 1965, but then it slackened during 1965-1970.

Thus, the strategy of 'industrialization by invitation' pursued in the 1950s and 1960s contrary to the assertions made by Lewis, led to a further weakening of the economy. Domestic agriculture remained stagnant all throughout the period resulting in increased poverty in rural areas. As far as the distribution of income is concerned the share of the poorest 40 per cent in personal earned income declined from 4.2 per cent in 1958 to 5.4 per cent in 1968. The

33. Ibid.

level of unemployment and underemployment increased from 12 percent to 24 percent during the same period. The higher wage rates offered in the mining and manufacturing sectors compelled people to forego low-paid agricultural employment. But the capital intensive nature of most of the imported technology did not lead to a significant absorption of the unemployed. The expanding sectors of the economy, largely foreign owned and controlled, forged very limited linkages with other parts of the economy. As pointed out, the manufacturing sector that developed constituted mainly of assembly line operations, heavily dependent on imported raw materials and partly finished components. Tourism which was promoted as a further valuable earner of foreign exchange did not succeed in creating a web of linkages with domestic agriculture and was to an extent responsible for the country's growing import of foodstuffs.

In short, the underlying structures of Jamaican economy make it vulnerable. The degree of vulnerability has been rather higher given the economic legacies of colonial past and the modifications in the past economic strategies and policies after independence in 1962. As has been observed, over the long run, development has meant expansion of a

35. Ibid.
capital-intensive modern sector and decline of the traditional peasant sector, with increasing dependence on earnings from the export enclave to meet needs through imports, including basic foodstuffs. Most of the bauxite resources lay underneath the land occupied by settled communities which perforce were displaced. The rise of the manufacturing sector, too, accentuated the dual nature of the economy, increasing its dependence on imported raw materials which were procured on imported machinery. These goods -- processed food and beverages, textiles and construction material -- have since formed the basis of the modern sector and compete with the traditional peasant economy which is based on local foods, raw materials and handicraft. Thus, by the early 1970s, Jamaica had developed consistently high levels of unemployment, highly skewed distribution of income, and great social awareness of the economic cleavages.

As discussed in the following section, by 1970s, not only the boom period of bauxite sector had come to an end; the economic distortions were also producing rising social tensions and political demands. The class-colour configuration that characterize Jamaica and other Caribbean countries

was reaching a new equilibrium. An examination of the economic crisis and the socio-political context of the 1970s therefore becomes necessary before assessing the democratic socialist interlude and the first in the series of structural adjustment policies that began to be implemented from the mid-1970s.

Socio-political Context of the 1970s

As discussed earlier, the principal characteristics of Jamaican economy were scarcity of arable land and the availability of a labour force at constantly cheap rates. Large tracts of land were under sugar and banana cultivation, and with the beginning of bauxite mining, the availability of arable land would become even more scarce. Consequently, as noted earlier, the self-supporting peasant sectors had not only remained neglected and stagnant but also unable to support the large class of subsistence peasantry. The majority of the Black class who constituted the bulk of the peasantry or were tied to the plantations as permanent or seasonal wage labour were the ones most adversely affected by the process of economic change in the wake of the bauxite-led industrialization. The power and prestige of the class of White planters, on the wane since the abolition of slavery in 1838 and further after the devastating impact of the global recessionary conditions in the 1930s on sugar
plantations, was to some extent salvaged with the incorpora-
tion of Arab and Jewish merchants and businessmen into the
economically dominant strata of society. Besides, the
economic decline of the White class of planters had corre-
sponded the expansion and upward mobility of the light
skinned and Brown Jamaicans in the government bureaucracy
and the incipient tertiary sector.

The relationship between these three major social
segments were in flux especially since the 1940s and would
manifest itself by 1970s into the mobilization of lower
class Blacks under the leadership of Brown and Black west-
ern-educated bureaucratic political elite.

From the abolition of slavery in 1838 until 1938, when
Jamaica witnessed widespread popular unrest of the lower
class Black articulated by mostly the light-skinned Jamaican
intellectual and middle class leaders through the formation
of trade unions and political parties, social relations were
in a flux. The abolition of slavery itself was necessitated
by the free trade policies pursued by Great Britain undergo-
ing the industrial and technological revolution. Pursuing
free trade policies, the rapidly industrializing economy had
begun a progressive removal of preferential duties on sugar
imported from its Caribbean colonies after 1844. Welcoming
the cheap sugar coming from the still slavery practising
countries of Brazil and Cuba, the mercantile interests were driven by the desire to establish British monopoly over the global trade and production of sugar, rather than by any philanthropic motive. The Caribbean plantocracy though was compensated to the tune of pound 20 million for emancipating the slaves and further supported by the introduction of indentured labour from China and India, the decline of plantation economy could not be checked.

The recessionary conditions in the global sugar market in the second half of the 19th century had only added to the woes of plantation economy and its vulnerability to external forces. Beside, the erosion of soil fertility, thanks to the long use of land for the cultivation of the same crop, and reluctance of the plantocracy to modernize sugar production made the Caribbean particularly Jamaican sugar decline both in quality and competitiveness in the international market.

Abolition of slavery in Jamaica had resulted in the freedom of as many as 311,000 blacks and coloured people, many of whom withdrew from the plantations and set up peasant communities, producing food and other subsistence com-


38. This is attributed to Sir Shridath Ramphal.
modities as well as few products for the local market. Still large numbers of them however remained on plantations as seasonal wage labour. In a development uniform to all the sugar colonies of the Caribbean, plantation economy continued to thwart the emergence of an independent peasantry and kept it tied to the sugar estates. The problem was worse in Jamaica as arable land was in short supply; and with the rise of large sugar companies and banana cultivation towards the end of the century, the dependence of peasantry on plantation had only grown further. Plantations had extremely depressed wages under the circumstances since part of the subsistence of the labour was guaranteed by the peasant sector. In such a situation, the peasant economy, although quite viable for subsistence and small trading, had little capacity for expansion while the plantations by and large remained stagnant.

The situation had begun changing with the rise of US private investment in the banana cultivation towards the end of the 19th century. Banana cultivation brought about a shift in the peasant production away from staple foods, and by 1930s peasant sector was contributing 27 per cent to the production of export crops while its contribution to the

production of ground provisions and animal products had correspondingly declined to 69 per cent and 4 per cent respectively. 40 An important development in the wake of economic diversification was the numerical growth and economic expansion of the peasant sector. Contributing nearly 40 per cent of Jamaican exports, the peasant sector had however at the same time, lost the autonomy it had enjoyed earlier and was now even more vulnerable to international economic exigencies. 41 Also by the end of the century, the growth of population had outstripped available land and with employment opportunities in banana plantations and in urban areas, peasantry had ceased to grow. Consequently, agriculture would engage fewer and fewer of the labour force.

The emerging banana plantation had little attraction for the old planter class. Besides peasantry, merchants and to a lesser extent professionals -- who were for a variety of reasons gaining in wealth and power -- took to banana cultivation. With the entry of the US-based United Fruit and Standard Fruit Companies and the formation of large sugar companies, mainly by the plantocracy itself, began a process of large land holdings engaged in commercial agri-

41. Ibid., p. 10.
Partly as a result of economic diversification and modernization and partly on account of colonial policy of introducing economic and administrative reforms such as larger budgetary outlays and expanded representation in the elected legislature of the colony. Some manufacturing and construction activities had begun under the impetus of road and bridge building as well as expansion of railways. Consequently, the dominant economic class had begun expanding aside from sugar plantations into dock development, agro-industry and infrastructural projects. Though mainly composed of whites of Anglo-Saxon origin, a major change by 1930s was that the economically powerful were now joined in by Lebanese, Syrian, Jews and the Chinese.

Notwithstanding the decline of sugar plantations in the aftermath of the emancipation, platocracy had remained the main pillar of support for the colonial administration. In 1861, Britain had introduced legislative assembly -- elected on the basis of franchise right limited to only 2000 White proprietors in a total population of 250,000 -- to assist the colonial governor. The system of limited representation however came to an abrupt end in the wake of the popular uprising of Black and Browns, -- known as Morant Bay uprising of 1865 -- against continued hardships faced by the
Black and Brown majority. With Jamaica being governed once more directly by the colonial country, the economically declining plantocracy saw an eclipse of its political power too. An expanded representation system that included a sizeable number of light-skinned and Browns, who were literate and small property owners, was introduced towards the end of nineteenth century. With this, new social groups of merchants, artisans, clerks and others began experiencing some political mobility. The direct rule by Britain in the wake of the Morant Bay uprising was seen by majority of Black and Brown as providential and paternalistic against the exploitation and cruelties of the White creole plantocracy. Towards the end of the nineteenth century, not only representation had been expanded, mainly to the light-skinned and Browns; these were also the groups that experienced some economic mobility in the wake of economic diversification and increase in infrastructural and social spending by the colonial administration.

In short, by 1920s the class-colour correlates that characterize contemporary Jamaican society were well established. In a society where colour and Caucasean features have remained necessary concomitant of social status, Arabs and Jewish families had joined the ranks of economically dominant Whites. The Whites who were mainly of Anglo-Saxon
origin were also joined in by the Chinese immigrants who dominated particularly trade and independent professions. These small and varied ethnic and economic groups would over the years tightly knit themselves through business and matrimonial alliances and monopolize the private sector. With bauxite mining fuelling the process of 'industrialization by invitation', the private sector took full advantage of state incentives and linked itself with foreign investments. With the two political parties, viz. the Jamaican Labour Party (JLP) and People's National Party (PNP) in government after 1946 supporting private sector initiative, the small class of entrepreneurs expanded itself into besides plantations, manufacturing, tourism, construction and domestic and external trade.

The Brown and light-skinned constituted an intermediate layer between the so-called White aristocracy and the overwhelming majority of the poor Black population. They were the principal beneficiaries of the expanded franchise and higher public expenditures, colonial administration had started incurring towards the end of the nineteenth century. Economic diversification, expansion of bureaucratic apparatus and spread of education enabled the Brown and the light skinned enter government bureaucracy or pursue independent professions in large numbers. By 1940s, the Brown and the
light skinned, constituting the middle strata of the society, would articulate nationalist aspirations for independence and labour rights. The overwhelming majority of Black could aspire still to no more than life of peasants and wage earners, and their situation would remain almost unchanged until the 1960s.

The global recessionary conditions of the 1930s had a devastating impact on the lot of the peasantry including those who worked on sugar and banana estates. While sugar plantation suffered a severe blow in the wake of the worldwide depression, banana exports had already suffered various crop diseases and consequently reduced exports and revenues. As indicated earlier, the growth of an independent peasantry had already come to a halt due to the rise of non-agricultural activities and non-availability of land. Expansion of large land holdings by the United Fruit and other Companies, had reduced and restricted the availability of arable land to about one hundred fifty thousand peasant families by 1930s. Emigration to sugar plantations in Cuba and other Caribbean islands had since the middle of the nineteenth century been a kind of escape valve but with the onset of depression, these avenues had also come to an end. By 1930s, nearly one-fourth of the population was unemployed; of these who could find employment, 92 percent earned less
than 25 shillings a week. The condition of those in the urban areas was no different. With exports, investments and social expenditure all declining, widespread immiseration characterized the urban worker and the unemployed. Denied of political representation, suffering economic stagnation and a system of internalized racism and class prejudices, urban and rural Black revolted focusing on issues of jobs and wages.

Out of the turmoil of the 1930s emerged trade unions and the first major characteristic of Jamaican politics viz. the labour based political parties. The western educated Brown and light-skinned -- mainly those in government bureaucracy and independent professions -- took up the cause of labour rights and formed the leading political parties and unions. Several liberal minded intellectuals including Norman Manley who were imbued with the ideas and programmes of the British Labour Party formed the social democratic Peoples National Party (PNP) in 1938. Harping on the twin themes of independence and social justice, PNP in the initial years had little to offer to enthuse the masses. Believing in the benevolence of the British rule, PNP's nationalism was confined only to a gradual assumption of self-rule. The introduction of universal adult suffrage in 1944 -- the first case in the British Caribbean islands --
and granting of internal self-rule had diluted its anti-colonial agenda. Moreover, as the economy began to grow with foreign investments flowing into the bauxite alumina mining in the 1940s, PNP's adherence to democratic socialism turned even more rhetorical. The party fully supported the industrialization strategy based on foreign investments, and Jamaica's growing linkages with the global economy. Its vision of building a social democratic society was confined to building large state-owned enterprises. Like the British Labour Party, PNP argued that a large public sector and provision of welfare services by the state would create conditions of democratic socialism. Such a moderate stance was surprising since PNP represented the enlightened nationalist section of the society. Besides, it had coopted and articulated in its own way the evolving militant Black consciousness, where extreme expression was found in the writings of Marcus Garvey, which in the 1970s had an influence on the Black Power movement, and the Rastafarianism Jamaica Labour Party (JLP) was formed in 1943 essentially as a political arm of the Bustamante Industrial Trade Union (BITU). Formed in 1938, BITU reflected the personalistic style and goals of Alexander Bustamante. Providing a charismatic and personalistic leadership, Bustamante had little by way of a programme. He drew his following from the rural
poor including the subsistence peasantry, petty traders and property owners and thereby began championing the rights of small propertied class and estate workers who aspired to own their own small plots.

There thus began the second enduring characteristic of Jamaican politics namely, the two party system. A moderate social democratic posture of PNP was countered by a moderate conservative, pro-private property stance of the JLP. Such differences in perception and programmes would get diluted once the parties acceded to office; for instance, Jamaica had all along a bipartisan consensus on the bauxite led export oriented growth strategy in the 1950s and 1960s. Much of this anti-colonial nationalist stance had already been preempted by the early introduction of universal franchise and introduction of internal self rule leading to full independence in 1962. Both sets of tendencies represented a limited challenge to the colonial rule and the dominant class of planters - merchants, and thus in a sense facilitated the smooth transition to independent statehood. This is notwithstanding the fact, that both the parties have since their inception drawn support from diverse social segments: PNP representing the essentially urban modernizing tendencies including urban working class and has been led by Western educated middle class. JLP had its main
support base among small property owners especially in the rural areas and the landless who aspired to own some property. In later years, JLP would champion liberal economic policies and seek the support of private business against the radical tendencies of the opposing PNP. With regard to policy outcome between 1949 and 1972, the PNP and JLP had few differences: in accord with its socialist rhetoric, PNP when in office had the tendency to increase both public spending and taxation at a faster rate than that associated with the JLP, and consequently to promote a higher increase in public employment. JLP which remained a political instrument in the hands of Bustamante genuinely believed that liberal economic policies would lead to the creation of wealth and property for all.

By 1970s, the two party system and the bi-partisan consensus on the development strategy was under challenge. The development strategy based on investments in and export of bauxite was coming to an end with the decline of both its demand and price as well as the emergence of new sources of bauxite and its various substitutes. With a large multitude of the population facing grave economic hardships, social tensions and political violence rising in the wake of the Black Power movement, which threatened to sweep away the dominant economic and political classes, the need to change
and amend the developmental policies and goals was admittedly recognised. Swearing by democratic socialism, the PNP now led by Michael Manley identified and coopted many of the symbols and aspirations of the Black Power movement and registered a landslide victory in the general election of 1972 by promising "better must come", and "it is time...."42

Aside from challenges such as those represented by the Black Power movement, there was growing dissension within the party especially from the younger, nationalistic elements and the principal constituents of the party. Jamaica's class of rich entrepreneurs and businessmen, the large Black and Brown middle strata in the employment of government and bauxite industry, the small working class privileged with permanent jobs and high wages in the bauxite, tourism etc. -- who all constituted the main bases of PNP support -- themselves were threatened by the evolving political and economic crisis. A democratic socialist response was also in keeping with the regional trend. In a pattern that is uniform to Jamaica, Guyana and Trinidad and Tobago, political elites who were predominantly Black and ensconced in government bureaucracy and private professions moved to in the 1970s to usher in socialistic and welfare based

42. Kaufman, n. 17.
policies to meet the impending political and economic crisis and preserve their own privileged status.

In short, as the present chapter details, Jamaica had all along been an open economy pursuing orthodox liberal economic policies until the 1970s. With the onset of bauxite mining in the 1940s, Jamaica entered a period of rapid economic modernization and diversification without however changing drastically the features of a plantation economy. The NWG had underlined the need of structural reforms and state regulation of the bauxite economy before Jamaica could really do away with its dependent plantation economy. The pursuit of 'industrialization by invitation' though led to the structural changes in the economy as reflected in the changing composition of the GDP, and further to positive growth rates albeit fluctuating ones, the distortions in the economy reflected in low agricultural output, dependence on imported foodstuff, and widespread poverty and unemployment, were deeper than before.

The cumulative changes in the economy were leading to greater political demands on the system. The outbreak of the Black Power movement and the revivalist Rastafarian movement mirrored the widespread discontent in the society. The ruling PNP had therefore, to address itself to the rising political discontent at a time when bauxite led boom
had come to an end.

As discussed in the next Chapter, PNP's response to the multiple crisis as in the form of democratic socialism. What has been the meaning and content of democratic socialism; what policy measures the PNP government adopted; and specifically how it dealt with the bauxite sector problems are some of the important questions that need answering. Significantly, while mouthing democratic socialism, the government at the same time was readying itself to implement the first in a series of structural adjustment policies as prescribed by the International Monetary Fund (IMF). The chapter is divided into three sections. The first section after describing briefly the magnitude of the economic crisis, deals at some length with what has been described as the 'bauxite offensive' of the PNP government. The second section deals with reforms in other sectors and the important initiatives the government took at the regional policy level. The last section evaluates the outcome of democratic socialist experiment and the circumstances in which restructuring on liberal economic lines began towards the end of the 1970s.

*All the tables are placed at the end of each chapter.
### TABLE 1
SHARE OF GDP BY ECONOMIC SECTORS
(Percentages)

<table>
<thead>
<tr>
<th>Sector</th>
<th>1950</th>
<th>1960</th>
<th>1970</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agriculture Forestry, Fishing</td>
<td>30.8</td>
<td>12.9</td>
<td>6.7</td>
</tr>
<tr>
<td>2. Mining and Quarrying</td>
<td>-</td>
<td>9.3</td>
<td>12.6</td>
</tr>
<tr>
<td>3. Manufacturing</td>
<td>11.3</td>
<td>12.8</td>
<td>15.7</td>
</tr>
<tr>
<td>4. Electricity and Water</td>
<td>1.1</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>5. Construction and Installation</td>
<td>7.6</td>
<td>11.3</td>
<td>13.3</td>
</tr>
<tr>
<td>6. Distribution - Retail and Wholesale</td>
<td>15.1</td>
<td>17.2</td>
<td>19.0</td>
</tr>
<tr>
<td>7. Transport, Storage and Communication</td>
<td>7.1</td>
<td>6.5</td>
<td>5.5</td>
</tr>
<tr>
<td>8. Finance &amp; Insurance</td>
<td>2.6</td>
<td>6.2</td>
<td>3.8</td>
</tr>
<tr>
<td>9. Real Estate and Business Services</td>
<td>5.9</td>
<td>3.2</td>
<td>9.4</td>
</tr>
<tr>
<td>10. Producers of Govt. Services</td>
<td>6.1</td>
<td>6.8</td>
<td>7.8</td>
</tr>
<tr>
<td>11. Misc. Services</td>
<td>12.4</td>
<td>12.9</td>
<td>7.2</td>
</tr>
<tr>
<td>12. Less Imputed Service Charges</td>
<td>100.00</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(-) indicates either not available or negligible.

### TABLE 2

**STRUCTURE OF FOREIGN TRADE OF JAMAICA**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer goods</td>
<td>42.3</td>
<td>37.8</td>
<td>40.6</td>
<td>34.6</td>
<td>35.6</td>
<td>37.9</td>
</tr>
<tr>
<td>Raw materials and intermediate goods</td>
<td>32.3</td>
<td>33.6</td>
<td>33.3</td>
<td>32.3</td>
<td>32.2</td>
<td>32.2</td>
</tr>
<tr>
<td>Capital Goods</td>
<td>25.3</td>
<td>29.8</td>
<td>26.1</td>
<td>31.1</td>
<td>32.2</td>
<td>29.9</td>
</tr>
<tr>
<td>Total imports (M)</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>M/GNP (per cent)</td>
<td>47.0</td>
<td>48.5</td>
<td>45.0</td>
<td>47.5</td>
<td>47.5</td>
<td>48.0</td>
</tr>
</tbody>
</table>

| Exports-Percentage Distribution (Current Prices) - SITC Sections: |
|-----------------------------------------------|------|------|------|------|------|------|
| 0,1+4 Primary goods                           | 70.9 | 49.5 | 44.7 | 38.0 | 24.6 | 44.2 |
| 2+3 Crude materials                           | 23.5 | 45.5 | 44.8 | 53.1 | 67.7 | 48.5 |
| 5-8 Manufactures                              | 5.6  | 5.0  | 10.5 | 8.9  | 7.7  | 7.3  |
| Total Exports (X)                             | 100  | 100  | 100  | 100  | 100  | 100  |
| X/GNP (Percent)*                              | 29.5 | 32.0 | 38.0 | 40.0 | 39.5 | 37.0 |
| X/M(%) at current Price                       | 77.5 | 74.8 | 85.6 | 66.8 | 59.7 | 71.0 |

* Based on 1965 prices.

<table>
<thead>
<tr>
<th>Industries</th>
<th>1960-65</th>
<th>1965-70</th>
<th>1960-70</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EDD</td>
<td>EE</td>
<td>IS</td>
</tr>
<tr>
<td>Alcoholic beverages</td>
<td>60.9</td>
<td>11.4</td>
<td>27.6</td>
</tr>
<tr>
<td>Non-alcoholic beverages</td>
<td>99.3</td>
<td>-3.1</td>
<td>2.2</td>
</tr>
<tr>
<td>Tobacco and related products</td>
<td>33.9</td>
<td>3.7</td>
<td>62.3</td>
</tr>
<tr>
<td>Textiles and made up articles of textiles</td>
<td>-10.9</td>
<td>21.8</td>
<td>89.1</td>
</tr>
<tr>
<td>Footwear</td>
<td>25.7</td>
<td>28.9</td>
<td>45.4</td>
</tr>
<tr>
<td>Wood &amp; Wood products</td>
<td>44.2</td>
<td>0.4</td>
<td>55.4</td>
</tr>
<tr>
<td>Furniture &amp; Fixtures</td>
<td>34.1</td>
<td>-2.4</td>
<td>68.2</td>
</tr>
<tr>
<td>Printing, Publishing &amp; Other Paper products</td>
<td>90.4</td>
<td>0.6</td>
<td>8.9</td>
</tr>
<tr>
<td>Leather and Chemical Products</td>
<td>27.2</td>
<td>0.0</td>
<td>72.9</td>
</tr>
<tr>
<td>Cement and products</td>
<td>66.7</td>
<td>-5.4</td>
<td>-6.8</td>
</tr>
</tbody>
</table>