An overview of the economy of Jamaica

2.1 Historical background

A sizeable percentage of the population of Jamaica could be described as 'poor and powerless'. Poverty can be understood as a state of relative deprivation; people are 'poor' when they cannot obtain the resources to acquire the type of food and other necessities of life, and cannot maintain the living conditions, which are customary in their societies. The poverty of the Jamaican people has shown itself through high levels of material deprivation; and the majority of poor people have remained 'powerless' in the sense that they are unable to exercise any control over either the established institutions of authority in their society, or the means of production.

Jamaica's historical experience was no different from that of the wider English-speaking Caribbean. European invasion, near the end of the fifteenth century, was based on plunder and trade. The indigenous Arawak-Carib Indians were decimated and their primitive communal societies totally destroyed. Then followed the introduction of slavery and the slave trade.

The slave trade lasted for nearly four centuries, and according to Eric Williams:

...kept the wheels of metropolitan industry turning; ...it gave sustenance to new industries based on the processing of colonial materials; it yielded large profits which were ploughed back into metropolitan industry; ...and made the Caribbean territories among the most valuable colonies the world has ever known.
Some fifteen million people were transported through the ‘Middle Passage’ from Africa to the Caribbean and North America. For those who survived the terrible voyage, conditions on the slave plantations were horrendous; characterised by extreme physical brutality, extreme poverty, malnutrition, and low life-expectancies. While the slave trade flourished, it was ‘cheaper’ to replace dead slaves with newly-shipped ones rather than provide adequate working conditions.

Sugar-cane cultivation on plantations, using initially African slave labour and then indentured migrant labour mainly from India, dominated this period of Caribbean history. The economies of the islands were oriented towards meeting the raw material requirements of European industry, and any potential for Caribbean economic development was stifled because the surpluses available for investment were all transferred abroad. One of the major features of contemporary Jamaican economy emerged at that time; specialisation in the production and export of primary products, and importation of almost all of the products required locally for both production and consumption.

During the struggle against slavery in Jamaica, independent ‘Maroon settlements’ of ex-slaves were established. The Maroons had fought for most of the seventeenth and eighteenth centuries against the British, using a form of guerrilla warfare which baffled most of the forces sent to subdue them. In 1739, Cudjoe, the Maroon leader, and Colonel Guthrie, representing the British, signed a peace treaty under the terms of which the Maroons were guaranteed freedom and allocated land, in exchange for a cessation of all hostilities.

When Emancipation came in 1838, the ex-slaves had no land, finance or even basic tools to start a new independent life. Many were forced either to work for subsistence wages on the plantations or farm ‘captured’ (or ‘squatted’), often poor quality, lands. The emerging Jamaican peasantry continued to face difficulties in obtaining land. It was only after the British Government realised that social stability could only be maintained by making more land available to small-scale farmers, that attempts were made to introduce land settlement schemes in the late nineteenth century.

The Churches in Jamaica played a role in the development of
education following the abolition of slavery. With financial assistance from people in England and from a few Jamaicans, attempts were made to establish church schools. But funds were limited, and as a result the few schools which were set up, and the education they were able to offer, were of a low standard.

World-wide economic depression in the 1930s affected the countries of the Caribbean, and caused instability throughout the region. In Jamaica, the social unrest culminated in the 1938 revolts. Following these disturbances, the British Government responded by appointing a Royal Commission of Inquiry (the Moyne Commission). In its Report, this Commission recommended the improvement of social services, increased financial aid to the region from Britain, the provision of some guarantees for regional agricultural exports to the United Kingdom, and the implementation of land settlement schemes to reduce the conflicts between the small farmers and the large landowners over access to land and other resources. These recommendations led to the establishment of the Colonial Development and Welfare Committee, which was intended to provide policy direction to the Caribbean colonies.

Heavy dependence on primary products makes the Jamaican economy vulnerable to fluctuations in the global market. These sugar-refinery workers have little job-security.
By the time it gained political independence in 1962, Jamaica was still underdeveloped, dependent, and poverty-stricken. The new government’s economic policy and programmes were significantly influenced by the contemporary Puerto Rican experience of ‘Operation Bootstrap’. This was an economic development programme which was heavily dependent on foreign capital being attracted to invest in the country by the provision of generous government incentives.

Jamaica’s own version of this policy led to increased penetration by multinational corporations from the United States and Canada in the major productive sectors, including bauxite and tourism, and also in the financial sector. The country became increasingly dominated by foreign capital, which led to increases in the transfers of surpluses abroad and did little to improve the situation of ordinary working people.

2.2 The structure of the Jamaican economy

Jamaica can be simply described as a small, open, dependent, capitalist economy. It is ‘small’ both in terms of population (2.4 million people) and geographical area (10,992 square kilometres); the small size of the population and the relatively small per capita Gross Domestic Product (GDP), which was only US$1401 in 1990, limits the size of the national market and this has implications for domestic production.

The Jamaican economy is ‘open’ in the sense that foreign trade, as evidenced by high levels of exports and imports, accounts for a significant proportion of GDP. The Jamaican economy is also ‘dependent’ in that it relies heavily on the developed economies of the US, Western Europe (mainly the UK), Canada and Japan for trade, economic and financial assistance, technology and management, and for preferential market access in respect of two of the major commodity exports, sugar and bananas.

It is a predominantly ‘capitalist’ economy: production, distribution, and exchange are organised so that maximising private profit is the single most important objective. Not unexpectedly, there is an inherent bias in the economy against small-scale firms, which face considerable difficulties in obtaining finance, acquiring modern technology, and finding
markets. These small businesses face considerable competition from larger firms, and many of them fail, with the owners losing whatever amounts of capital they may have invested.

The country's economic structure has historically showed certain features, which can be traced from their origins in the early colonial years. There has been over-specialised production of a narrow range of primary products, mainly for export, with sales limited to a few markets. The country's export industries are directly linked with the advanced capitalist countries through the use of imported management, technology and raw materials, and dependent on foreign finance and foreign markets. The links between the export industries and the rest of the national economy have been limited.

The prices for these export products have been unstable and this has led to wide fluctuations in domestic levels of income and employment, and to chronic economic problems.

The country has been characterised by a heavy dependence on imports and on foreign capital inflows. Imports of consumer goods continue to account for over 20 per cent (1989 figures) of total imports; food imports average around ten per cent of total imports. Raw materials accounted for an annual average of nearly half of total imports over the last five years. On average, foreign capital inflows have accounted for about one-quarter of total foreign exchange receipts in recent years.

Jamaica has suffered from a lack of economic autonomy; there has been a predominance of foreign decision making in the country's economic activity partly as a result of the historical experience of foreign ownership and control over important sectors of the economy, and partly because of the country's dependence on financial assistance from individual countries and multilateral organisations such as the IMF and World Bank. Bilateral assistance has in the past usually involved conditional agreements on the widespread use of donor country personnel, materials and equipment.

The locally-generated surpluses from economic activities have been transferred abroad by various methods, including normal profits transfers and irregular methods such as invoice manipulation. As a result, very little capital has been available for reinvestment locally.
Over the years, many people in Jamaica have lived in poverty, with inadequate housing, inadequate food, and limited provision of social services such as health and education.\textsuperscript{5}

There are, however, some sections of the national economy which have attempted to struggle against dependence on foreign capital and foreign markets. These include small businesses and micro-enterprises (recently estimated at over 30,000), some large domestic manufacturers, and thousands of small farmers. What these types of economic enterprises have in common is their use of locally-produced raw materials in their production processes, and the fact that they produce goods mainly for local consumption. Over the years, these economic activities have received support from the more nationalist political leaders.

There also exists a large informal economy engaged in both legal and illegal economic activities, in which a significant proportion of the country's population are active participants. Its roots exist in the period of slavery, but its size and scope have increased significantly over the last decade or so.\textsuperscript{6}

**Performance 1950-70**

The Jamaican economy showed an impressive rate of economic growth during the post-war years up to 1970. GDP grew at an annual average rate of nearly seven per cent during the 1950s and 60s.\textsuperscript{7} The fastest rate of growth of the Jamaican economy during this period occurred between 1950 and 1955, when real GDP increased at the rate of 10.1 per cent per annum. The reason for this particularly spectacular rate of growth is that at this time, significant economic expansion was occurring in the bauxite-alumina industry and the domestic construction sector.

During the period 1950-70 certain changes took place in the country's economic structure, particularly in the relative importance of the mining and the agricultural sectors. In 1950, the bauxite sector made a negligible contribution to GDP, but by 1970, this sector had increased its contribution to 12.6 per cent of total GDP. Other sectors of the economy which showed significant growth over the period were construction, manufacturing and distribution. However, at the same time, the contribution of the agricultural sector to total GDP declined from nearly one-third to less than one-tenth.
2.3 Economic crisis in Jamaica: explanations and effects

Crisis: some views
Over the years, Jamaica, like most developing countries, has experienced various economic crises, of different degrees of intensity. These crises have, since 1970, led to serious economic and social dislocations in the country, including a general deterioration in living standards for the majority of Jamaicans, increased unemployment, greater inequalities in the distribution of income and wealth, a reduction in social services, high rates of migration of skilled people, significant growth of the informal or underground economy, massive flight of capital and increased criminal activity and drug abuse.

There are many different theories which have been put forward to explain economic crises in countries like Jamaica. These include suggestions that the crisis is characteristic of all post-colonial states and results from severe weaknesses in their institutional, ideological and leadership structures. Others contend that the crisis results from the global geopolitical struggles of socialism and capitalism or super-power rivalry. Another view is that such a crisis is locally based and has arisen because of persistent dislocation in the economy.

Crisis in Jamaica
In the case of Jamaica, the crisis can only be explained in terms of changes which have occurred both in the world economy and within the Jamaican economy itself. The crisis has its roots in both external circumstances, as well as internal factors particular to Jamaica.

Up to the 1970s, Jamaica benefited from the boom conditions in the world economy. In the postwar period up to the early 1970s, policies geared towards attracting foreign investment as part of the ‘industrialisation by invitation’ strategy were implemented. There were large inflows of foreign capital for investment in the bauxite/alumina sectors, manufacturing and the tourism industries. With these foreign capital inflows, by 1970, the Jamaican bauxite industry became the largest in the world producing 12 million tonnes of bauxite per year, which was 21 per cent of total world output. There were some positive
though limited spinoffs for the rest of the economy as a result of these foreign capital inflows; however, the bulk of the profits generated by these activities were transferred abroad by the controlling companies.

1972-76

However, in spite of the boom conditions existing in Jamaica during the first decade of Jamaica’s political independence (1962-72), at the time of the People’s National Party’s (PNP) election to government in 1972 there were widespread social problems. Unemployment was very high, at 23.2 per cent in 1972, and there was massive migration of both skilled and unskilled Jamaicans. Limited educational provision had resulted in a high level of illiteracy, and a large percentage of ordinary Jamaicans were poorly housed and inadequately fed.

The PNP government introduced a range of measures to attempt to tackle these problems. Government expenditure on social services increased, with especial emphasis on health-care and education. In 1976, minimum wage legislation was introduced, to protect the poorer sections of the working population. The government also carried out selective take-overs of various foreign enterprises, including public utilities, sections of the sugar industry, the flour-refining plant, and a few financial institutions and hotels; and a tax was imposed on the operations of the foreign bauxite-alumina companies.

The Jamaican economy was affected by a number of adverse developments in the world economy during the early 1970s, of which the most important was the 1973 oil price increase. Jamaica’s oil import bill trebled between 1973 and 1974. In addition, the country’s terms of trade - the difference between the prices received for exports and the cost of imports - worsened during this period. Payments for imports rose while export earnings fell.

These developments led to a serious deterioration in Jamaica’s balance of payments, with the deficit on the current account of the balance of payments rising to nearly US$300 million in 1975. Also, the inflow of private capital to finance direct foreign investments - which had provided some support for the balance of payments during the 1960s - began to decline in the early 1970s.
The four years between 1976 and 1980 were probably the most traumatic in the post war economic history of Jamaica. The economy was in steep decline and unemployment rose rapidly, as did prices in the shops. The level of foreign debt rose as the government was forced to borrow to cover its balance of payments difficulties. The quality of life declined for most people, and these years were marked by an unprecedented level of violence of both a political and criminal nature.

The serious balance of payments problems which had emerged earlier in the decade forced the Government to seek external financing from the International Monetary Fund (IMF). Two agreements with the IMF were signed – in 1977 and 1978 – but financial support from the IMF was suspended in both cases because the economy had failed to meet the performance targets upon which IMF support is conditional. During the second half of the 1970s there was also a marked reduction in the availability of external funds from commercial banks. As a result the government’s fiscal deficit – the difference between government revenues and expenditures – had to be financed in part by Central Bank credit creation (in effect, the printing of money); but this exacerbated both inflation and the balance of payments deficit.

The 1980s
The economic crisis was a major reason for the defeat of the PNP in the 1980 general election and its replacement by the Jamaica Labour Party (JLP), a party then oriented much more towards free-market economic policies than its predecessor. Because the JLP’s economic philosophy was more in tune with thinking in the multilateral lending institutions and in the US, it was expected that the government would be able to mobilise a large increase in external financial support, especially from concessional sources, and that this would help to revitalise the economy.

There was a modest recovery in economic growth in the early 1980s but adverse developments in the wider world economic climate again had serious consequences for Jamaica. The world recession in 1981/1982 reduced the demand for the country’s exports of primary products, and in particular bauxite/alumina,
and this led to a worsening of the balance of payments position. As a result a number of major economic measures were undertaken, supported by the IMF, in an effort to restore some viability to the country’s economy and to reduce the balance of payments deficit. They included devaluation of the currency, an increase in taxation, cuts in government expenditures, the removal of import restrictions and the abandonment of price controls. Whatever effect they may have had on economic indicators, these stringent and wide-reaching measures had a serious impact on living standards throughout the country.

Despite the best efforts of the government to carry out the recommendations of the international lending institutions, the economy was on several occasions unable to meet the stringent performance criteria demanded by the IMF, with the result that agreements for external financial assistance were again temporarily suspended.

Although falling oil prices provided some respite in 1986, the economy was unable to overcome its severe structural macroeconomic imbalances: the inability to earn sufficient foreign exchange to pay for the country’s import and debt servicing needs, and the inability of the Government to generate sufficient revenue to cover its necessary expenditures. By 1989, the PNP, which had regained power from the JLP in February of that year, found it necessary to implement a wide-ranging stabilisation programme which included further cutbacks in government recurrent and investment expenditures, increased taxes, higher prices for basic goods, restrictive credit policies and the sale of public property, especially hotels. There was also further devaluation of the Jamaican dollar.

The programme was extended in January 1990 with the backing of the IMF, which provided almost US$100 million in loan finance to the Government. Additional measures were implemented including higher interest rates, and an increase in the prices of petrol and electricity. The aim of this programme, as with previous IMF-backed stabilisation packages, was primarily to reduce domestic demand from both the public and private sectors and therefore to bring about a cutback in spending on goods and services. The intention was to ease the pressure on the balance of payments.
Trends in Jamaica’s external debt
Most of the debt was contracted between 1975 and 1985 in order to finance the Government’s fiscal deficit and to provide short-term support for the balance of payments. Most of the debt is owed to official creditors – multilateral lending agencies such as the IMF and World Bank and bilateral donors such as the US.

The need to service the country’s external debt by repaying principal and interest has created serious problems for both the finances of the Government and the economy in general. Actual debt-servicing payments accounted for 47 per cent of foreign exchange earnings from exports in 1987; the burden has been reduced somewhat since then, with 26 cents out of every dollar of foreign exchange earned now being used to service Jamaica’s debt, according to 1991 government figures. Some economists, however, dispute this figure.

2.4 Responses to economic crisis: stabilisation and adjustment
In general, developing countries have responded to economic crises by adopting various combinations of the following policies:

- Borrowing from abroad to finance the balance of payments deficits.
- Restricting international trade and payments links with the rest of the world.
- Adjusting the domestic economy to correct internal and external economic imbalances.

However, there are problems with all of these strategies. Access to funds from abroad to finance balance of payments deficits has become much more restricted during the 1980s and early 1990s. Attempts to restrict international trade and payments relations can generate serious domestic economic and social dislocation especially in heavily import-dependent economies. In addition, policies which attempt to restrict capital outflows also can generate further domestic economic chaos by creating conditions for the emergence and growth of foreign currency black markets and capital flight.
In attempting to adjust their economies so as to reduce internal and external imbalances, many, though not all, developing countries have tended to use IMF/World Bank policy approaches. Jamaica has relied heavily on IMF/World Bank support. The IMF programmes focus on economic stabilisation, while those of the World Bank emphasise structural adjustment.

As we have seen, the IMF/World Bank strategies implemented in Jamaica have led, amongst other things, to currency devaluation, which was expected to reduce the country's import bill and promote its exports; reduced government expenditure, especially on social infrastructure and social services; and the removal of various government subsidies. In addition, governments at various times have introduced revenue-generating measures such as increased taxation and the sale of government property and other enterprises to the private sector. Finally, the implementation of wage guidelines which restrict wage increases, and increases in domestic rates of interest have been introduced in an attempt to reduce demand.

2.5 Effects of structural adjustment

Balance of Payments

One of the major objectives of the stabilisation and structural adjustment programmes undertaken by Jamaica over the last 15 years relates to improvements in the country's balance of payments position. During this period, however, the country experienced a negative current account balance every year since 1975. An examination of the trade balance data shows that only in 1977 and 1978 did export earnings exceed import payments. During the same period, the official exchange rate moved from J$ 0.91: US$1.00 in 1975 to J$8.00: US$1.00 in 1990, reflecting the devaluation-led policies of the IMF. In the course of 1991 and 1992, the Jamaican dollar underwent a further dramatic series of devaluations, falling to J$22.7: US$1.00 by February 1992. This was a consequence of the government's exchange-rate liberalisation policy.
Up-market shopping centre, Kingston. Successive devaluations have resulted in higher prices for consumer goods and a real loss of purchasing power for wage earners.

It is clear, then, that the massive devaluations carried out under the direction of the IMF have failed to generate the anticipated positive balance of payments responses. On the contrary, because the Jamaican economy is so heavily dependent on imports of basic foodstuff, oil and related by-products, as well as essential productive inputs for the critical economic sectors, including agriculture and manufacturing, such devaluations have had the effect of increasing import prices and have thus generated high rates of domestic price increases. In turn, this has led inevitably to increases in the price of domestically produced goods and services, and a declining level of real purchasing power on the part of wage and salary earners, and increases in profits of many entrepreneurs who could easily pass on higher prices to consumers. During this same period, government foreign borrowing to finance balance of payments deficits showed a significant increase. Total government debt in nominal terms moved from US$688 million in 1975 to US$4032 million in 1989. In early 1992, despite much-publicised 'forgiveness' and rescheduling, the debt remained at more than US$4000 million.
Estimates of capital flight from Jamaica indicate that between 1976 and 1980 nearly US$500 million left the country, while between 1981 and 1984 approximately US$240 million were transferred abroad outside of the official channels. At the same time, it has been estimated that the foreign currency black market rates increased significantly, with the differential between the black market and official rates reaching a high of 120 per cent in 1977. The average of differentials for the period 1977 to 1980 was 46 per cent and that for the period 1981 to 1985 was 32 per cent.

**Economic growth indicators**

Between 1975 and 1980, Jamaica experienced a falling-off in real economic growth every year. All the major economic sectors, especially the mining and construction sectors, experienced massive negative growth rates in 1975 and 1980. Since 1980 there has been some improvement in the economic growth indicators as evidenced by positive GDP growth rates from 1981 to 1983 and improvements in real wages. However, in 1984 and 1985 Jamaica’s real GNP fell by 2.5 per cent and 5.9 per cent respectively. During the same period, real wages fell by 17 per cent. In May 1991, Prime Minister Michael Manley announced that the national minimum wage would be raised from US$14 to US$17 per week. According to the Economist Intelligence Unit, ‘Jamaica currently ranks as one of the cheapest labour markets in the region’.

Estimates indicate that since 1975 the size of the informal economy has increased. It seems to be the case that, faced with the negative consequences of economic stabilisation and adjustment programmes, Jamaican households and business enterprises have responded by increasing their levels of involvement in informal economic activity.

**The social impact of stabilisation and adjustment**

There are three main indicators which can be used to assess the effects of stabilisation and structural adjustment on household living standards. Firstly, income levels and income distribution, which will be affected by changes in employment and wage levels. Secondly, the prices of critically important commodities
and services, especially food and selected non-food items, such as housing and transportation, which will be affected by, for example, devaluation, the removal of subsidies, or changes in government policy on regulation of imports. Thirdly, the levels and composition of government expenditure, which will have implications for social services, especially health and education.

It must be remembered, however, that since households in Jamaica are far from being homogenous, the damaging effects of the stabilisation and adjustment programmes will not be uniform across the whole of society. Those most likely to be hardest hit are the poorest segments of society, people who tend to have neither access to political representation and related patronage, nor 'contacts' in the government sector. Poorer people also have no access to savings which they could use to cushion the effects of falling incomes. In addition to the heavy impact on low-income households in general, there are other especially vulnerable or disadvantaged groups such as children, elderly persons and the disabled, all of whom are likely also to bear the brunt of such programmes.

In implementing adjustment measures, many developing countries have failed to give serious attention to the damaging effects on poor people in their societies. The result, therefore, has tended to be increasing levels of poverty, as more and more people become unable to attain minimal living standards.

**Poverty, income and welfare distribution**

Jamaica has historically been characterised by severely inequitable income distribution to the extent that the country could almost be said to consist of 'two Jamaicas'. A recent Survey of Living Conditions (SLC) conducted by two government agencies found that the average consumption of the top ten per cent of Jamaicans is sixteen times as great as that of the bottom ten per cent.

Recent estimates show that one out of every three Jamaicans have household expenditures which put them below the national poverty line. The majority of those living below the poverty line (70 per cent) are to be found in the rural areas of Jamaica, where just over half of the country's population live. At the same time, of the wealthiest 20 per cent of Jamaicans, two out of every five
Only a third of Jamaican households have an inside piped water supply.

live in the capital and its environs.

An evaluation of housing quality of the different economic strata in Jamaica is quite revealing. The Survey mentioned above examines the materials from which houses are constructed, sources of drinking water, and availability of electricity. Nearly half the dwellings of the poorest 20 per cent of Jamaicans are built of wood, which is potentially dangerous, especially in hurricane-prone areas. By comparison, seven out of every ten homes belonging to the top twenty per cent of the population are constructed out of concrete blocks reinforced with steel.

In examining access to drinking water, the Survey found that about one-third of Jamaican households get their drinking water from a piped indoor supply, with some 40 per cent using outside taps, and the remainder using rainwater and natural sources. Piped water is assumed to be relatively ‘safe’ when compared with water from natural sources. Among the poorest 20 per cent, less than one in every ten homes have piped water indoors, while over six out of every ten homes in the wealthiest 20 per cent have indoor taps. It is interesting to note that over one-third of the poorest households get their water for domestic use either from rainwater or natural sources such as rivers and springs. With
'safe' water less accessible to the poorer groups one can reasonably infer that their health will be badly affected, especially since 'unsafe' drinking water is one of the major causes of infant diseases in developing countries.

With regard to electricity supply, the available data shows that for the poorest 20 per cent of Jamaican homes, only three out of every ten have electricity while for the wealthiest 20 per cent the figure is nine out of ten. In the capital, about one-fifth of homes, mainly in ghetto areas, do not have electricity.

**Unemployment**

Adjustment measures are likely to generate increases in unemployment for a number of reasons. Firstly, with contractions in government expenditure, public sector workers are likely to become unemployed. Secondly, total demand is likely to be reduced thus forcing private firms to cut back on output and also reduce employment. Thirdly, with increasing interest rates as part of monetary policy, the cost of borrowing increases and businesses respond by reducing production levels.

In examining welfare, it is useful to look at unemployment trends. Over the last 15 years unemployment has averaged 24 per cent per annum, peaking at 31.1 per cent of the labour force in 1979. The data show that female unemployment rates are generally more than twice those for male unemployment. With about four out of every ten Jamaican households headed by women, higher female unemployment rates imply poorer living conditions for these particular families.

When we examine unemployment rates by selected age groups, we find unemployment rates among women in the 14-19 age group averaging over 80 per cent in 1979-1982, but declining to 60 per cent in 1989. For the age groups 20-24, six out of every ten female members of the labour force were unemployed in 1982, but this had declined to four out of every ten in 1989. Women in the 25 to 35 years age group were slightly better off, with four out of every ten being unemployed in 1982, declining to two out of every ten in 1989. Male unemployment rates are significantly lower in all age groups than in the corresponding female age groups. With unemployment rates for women much higher than men, the difficulties facing those forty per cent of
Jamaican households which are headed by women are tremendous.

In the absence of any unemployment benefits, those facing abject poverty can access the government’s Poor Relief Programme. This Programme is established to provide the ‘destitute’ with care and assistance in selected institutions and under non-institutional arrangements. Institutional care is provided in infirmaries. Non-institutional support takes the form of financial and food assistance. In June 1991, the government estimated that 70,000 Jamaicans were receiving J$50 (US$5) monthly in food stamps. A weekly payment of J$30 (US$3) was also made to 56,000 claimants from the National Insurance Scheme.

**Changes in prices of food and non-food items**

Stabilisation and adjustment programmes almost inevitably lead to increases in the general level of domestic prices for food and other basic necessities. This is usually as a result of currency devaluation which leads to increases in import prices, generating increases in all other domestic prices. Where a country imports a significant amount of its food requirements, devaluation can lead to a spiralling of food prices. The removal of food subsidies as a way of reducing government expenditure also places upward pressure on food prices.

Wage rates frequently fail to keep pace with rising consumer prices because when the economy is in recession, there is a reduced demand for labour. In addition, government action to reduce expenditure and introduce wage restraints, such as imposing a wage ‘freeze’ or a severe limit on wage increases, is very often part of the adjustment package.

When wages and salaries are frozen, then the real incomes of many people will fall and their ability to purchase commodities will decline. This is a conscious policy goal since it is argued that reduced expenditure will automatically mean reduced imports, and with falling imports the balance of payments position is likely to improve. Of course, it is clear that the basic nutritional intake of a large percentage of the population will actually decline as a result of reduced purchasing power.

The All Items Consumer Price Index (CPI) shows changes in
prices. For Jamaica, prices increased by an annual average of 17 per cent between 1975 and 1989. Between 1976 and 1980, the annual average inflation rate was over 20 per cent. During 1984 and 1985, however, in the wake of IMF adjustment measures, prices increased by over 25 per cent annually.

The price of food has increased at rates which are even faster than other items consumed locally; to the extent that ‘food and drink’ are estimated to account for over half of the expenditure of Jamaican households, these price increases have seriously affected the living standards of the poorer people. A recent study claims that food prices in Jamaica are only slightly lower than those in the United States, where the minimum wage is 11.5 times as high. In November 1989, for instance, a pound of chicken in Jamaican markets cost the equivalent of US$106.

The cost of feeding a family of five in Jamaica has risen astronomically since 1979, from J$24.27 to over J$220 as at June 1990. Data provided by the Nutrition Department of the Ministry of Health shows the stark deterioration in the situation facing Jamaican poor people who earn the minimum wage. In June 1979, one minimum wage of J$26.00 earned by a household could meet the cost of feeding a family of five for a week. However, during the 1980s under the IMF/World Bank adjustment programme, a similar food basket purchase required between two and three times the minimum wage. Recently the minimum wage has been increased to J$120 per week, but with rising food prices this can barely purchase half of what is required to feed a family of five for a week.

With increasing food prices, the nutritional status of poor people has worsened. Although it is possible that some families may be able to offset the rising food prices by income-generating informal economic activities, there has been an increase in poverty-related illnesses particularly among young children. The number of children admitted to the main children’s hospital in Kingston suffering from malnutrition and malnutrition-gastroenteritis has more than trebled since 1978. Over three out of every ten children attending public health clinics in 1989 were diagnosed as being malnourished.

Successive governments have attempted to cushion the negative effects of IMF/World Bank measures on food
consumption levels of poor people. In 1984, the JLP introduced a Food Stamp Programme to assist groups considered to be nutritionally 'at risk'. This programme provided bi-monthly amounts of J$20 in food stamps (currently J$50 per month) so that recipients could obtain basic foods such as cornmeal, rice and skimmed milk at various shops. There were two categories of recipients; firstly, there were pregnant and lactating women, and young children, with neither group being subject to any means tests. Secondly, there were poor and elderly persons, who were provided with assistance only after an assessment of their financial needs.

The programme suffered from a number of weaknesses. The levels of government funding provided satisfied the needs of only one-quarter of those registered persons eligible to receive food stamps. Some people used the stamps for purposes other than the purchase of the specified food commodities. The programme could be, and was, used as an instrument of political patronage; some high-income households received the benefits. Consequently, particularly in view of the declining purchasing power of the food stamps in the context of rising food prices, the present Manley Government has reduced the number of eligible persons and has also decided, as part of structural adjustment measures, to eliminate the last food subsidies in the course of 1992.

Housing

Housing problems have plagued the country over the last two decades, with excess demand for housing leading to phenomenal increases in both house prices and rentals. Between 1987 and 1989, an average of 2,716 houses were completed yearly, with the public sector accounting for 90 per cent of these. This building programme has satisfied only about 15 per cent of the total demand for houses.

Housing costs have increased significantly, largely as a result of increasing import prices following the numerous devaluations of the Jamaican dollar. The housing sector is characterised by a high import content, particularly of construction materials. The price of locally produced materials also increased during the period. In 1989, for example, the price of lumber rose by 20 per
House prices in middle-class areas such as this have risen enormously as a result of structural adjustment measures.

cent, steel by over 25 per cent, cement by 28 per cent, and paint by 25 per cent.

Housing costs have also risen as a result of increasing interest rates, which were raised as part of the adjustment programme. Loan interest rates have averaged over 25 per cent per annum over the last five years. Mortgage rates have also increased. As a result, the price of a three-bedroomed house in a typically middle-class suburb in 1990 was nearly one million Jamaican dollars (about US$150,000). The prices for one-bedroomed apartments currently begin at about JS600,000 (about US$30,000.) The average university graduate earning about J$50,000 following graduation can hardly expect to be able to purchase even the most basic of homes. The situation facing the average worker is much worse.

House rents have increased to such an extent that most lower-income families are forced to sub-let even the most dilapidated, poorly maintained house. As a result, there has been a rise in the number of 'squatters' who have built homes on illegally acquired land, in contravention of established building codes. Since the Government has considerable difficulty providing for housing
needs, particularly of the low-income groups, this approach to satisfying housing needs has had to be condoned.

Transportation
Adjustment policies affect the transport sector in a number of ways. For example, with devaluation the costs of imported motor vehicles, fuel and spare parts increase. Fewer people are able to afford the cost of purchasing and maintaining motor cars. This now places pressure on the public transportation system. However, public transport is affected by the cutbacks in government expenditure and the increased cost of buses; thus, the number of available bus seats may actually decline while the demand for them is increasing.

The adjustment policies have affected the Jamaican transport sector in the above-mentioned ways. The cost and availability of both private and public transport has been problematic. The cheapest car on the Jamaican market – the Russian made Lada – retailed recently at J$90,000 (about US$13,000). The distributors of this vehicle have a waiting list of over one thousand orders, with some people still on the list who placed an order over two years ago. The shortage of cars has led to increased prices in the second-hand market, with 15-year-old cars being sold for over J$45,000 (US$7,000).

Alongside this shortage of cars, the public transportation system is chaotic. By official estimates, there is a thirty per cent shortage of bus seats in the capital and its environs. Illegal bus operators known as ‘robots’ are running a profitable business because of this shortage.

In general, most of the buses are poorly maintained. They are also usually very overcrowded and operate under very inadequate, unpredictable schedules. Workers dependent on public transport lose time and energy travelling on the buses with serious consequences for their productivity. Students using public transport invariably arrive at school either late or so physically exhausted that their first few school hours are virtually wasted.

During 1989, bus fares for adults increased by about 20 per cent. Those for children in school uniform increased by 10 per cent during the year. The fare for children is half that of an adult.
There are no specialised busing facilities for children, and as such, they are usually carried as ‘passengers of last resort’, after the profitable adult fares have been collected. Shouts of ‘no schoolers’ by bus crews are widely used to indicate that particular buses do not transport school children.

It has become evident that the effects of debt and poverty on the lives of the poor cannot be effectively countered by individual approaches and actions. More and more, community groups assisted by local NGOs are co-operating to provide for their basic needs and to make demands on the Government for social amenities and community facilities.

**Changes in the levels and composition of government expenditure**

In response to IMF/World Bank conditionalities related to fiscal restraints, many developing countries have been forced to reduce levels of government expenditure. Most of this reduction has tended to be in what the IMF/World Bank term ‘non-productive’ services – mainly public health, education and housing. In addition, subsidies which are provided by government to these sectors are eliminated, causing increased charges to be passed on to those using them. The consequence is that poorer people are no longer able to benefit from these services. Stabilisation and structural adjustment programmes have also encouraged increasing privatisation of social services, and this has also had the effect of significantly increasing prices, and thereby denying access to the poorest.

There has been a marked deterioration in the quality of public services provided in the health, education and housing sectors in Jamaica over the last decade. Social services expenditure peaked during the mid-1970s under the PNP government. As a percentage of GDP, social services expenditure fell from 14.5 in 1979 to 4.0 in 1985. Diminished social services have resulted mainly from government fiscal austerity measures associated with adjustment programmes.

Recurrent expenditures on social services such as health and education have been drastically reduced. Investment in social infrastructure such as the building of new schools and hospitals has contracted, while necessary maintenance of social facilities is
minimal. Adjustment measures in the 1980s and early 1990s have also led to the introduction of fees for hitherto free services in education and hospitals.

Health

Historically, Jamaica’s public health care system, upon which most of the population rely, compared favourably with the best in developing countries. There are at present 24 hospitals and about 350 health centres, with each parish having at least one public hospital and nearly 20 health centres. The health sector presently employs over 10,000 workers.

However, over the last decade, the sector has shown a rapid decline. Total expenditure on health as a percentage of total Government expenditure fell from an average of over 9 per cent in the mid-1970s to just over 5 per cent in 1986-88. Although both recurrent and capital expenditure on health services declined, the decline in capital expenditure was more pronounced. Capital expenditure reductions meant that vital equipment used in the hospitals and health centres could not be replaced. Reduced recurrent expenditures led to inadequate maintenance of facilities, unavailability of supplies including medicines, and less funding for salaries of medical personnel.

The most recent Economic and Social Survey of Jamaica (1989), published by the Planning Institute of Jamaica, clearly states that:

...Underfinancing of the health sector continued to affect adversely the provision and delivery of good quality health care. In some critical areas output was reduced and the quality of medical care suffered because of inadequacy of the infrastructure, diagnostic and support services. The attrition of manpower in critical areas of the service continued.

The public health sector has been seriously affected by the loss of personnel at all levels. The public sector doctor/population ratio moved from one doctor for every 2,700 persons in 1971 to one for every 3,000 in 1980, with the latest figure being one for every 5,200. The ratio of nursing personnel to population declined from one nurse for every 540 Jamaicans in 1975 to one nurse for every 1,172 persons in 1985.
With reduced public expenditure on health which has led to deteriorating working conditions in the sector, there has been widespread resignation of health personnel. Coupled with layoffs which have also arisen due to contractions in government funding, the public health sector is now faced with a situation where nearly 30 per cent of all posts were not filled as at June, 1989. Nearly one out of every five posts for physicians was vacant, about one out of every three for registered nurses could not be filled, while over half of the number of pharmacist posts were vacant. Attempts have recently been made to deal with some of the personnel shortages via increases in salaries and allowances for various categories of health personnel. Nurses’ salaries were doubled to J$40,000 per annum in 1990 (just under US$6,000 at the prevailing exchange rate), plus allowances. Hourly or sessional rates for all nurses have also been increased.

As part of the adjustment programme, the government has since the mid-80s introduced policies geared towards improving the health sector’s performance. Firstly, as part of a ‘rationalisation’ programme, some hospital wards and many clinics were closed or downgraded. This has resulted in an actual decline in the number of public hospital beds available. Secondly, new fees were implemented in 1984 as part of a programme to cover more of the costs of public health care; this must have seriously disadvantaged poor people who rely heavily on these services. Thirdly, support for privatising the health sector has been provided and as a result the number of private hospitals and clinics is increasing, and these charge market rates for the services provided. Fourthly, a programme for recruiting nurses in Commonwealth countries, including the UK has been introduced; additionally, incentives are being provided locally to attract more school-leavers into nursing.

Some of the policies introduced have increased the suffering of the poor who rely mainly on public health facilities. With reduced public health care, increased fees for these deteriorating services, and more widely available but more costly private health care, poor people find it much more difficult to get access to these services. However, given the poor quality of public health care, SLC figures show that 4 out of every 10 persons in the lowest income group are forced to use private medical care.
where the cost per visit averages at J$56 (1989) compared to J$4 for public hospital care. The situation is similar with respect to the purchase of medicines as only three out of every ten in the poorest group purchased medicines from public sources. However, over eight of every ten in this group could not buy all the medications prescribed due the prohibitive costs.

Education

Education expenditures are of crucial importance for developing countries, which suffer from shortages of skilled manpower. An uneducated work force is not capable of mastering the most advanced technology and its productivity is severely hampered; thus its output becomes uncompetitive when compared to other countries. In addition, it is estimated that the returns on educational spending, particularly in primary schools, are usually greater than the returns on physical capital expenditure.

Education has historically been the responsibility of the public sector. Less than five per cent of school places at the primary and secondary are provided by private schools. About 600,000 students aged between three and seventeen years old attend over two thousand schools serviced by about 20,000 teachers. Up to the mid-1970s, the overall performance of the education sector in Jamaica compared favourably with countries at similar levels of development. Since then, however, there has been a marked decline in the quality of education.

As a percentage of GDP, government expenditure on education declined from over ten per cent in the 1970s to under five per cent in 1985. At the same time, public expenditure on education fell from nearly 18 per cent of total public expenditure in 1975 to 10.8 per cent in 1984. On the capital expenditure side the situation has been even more serious; capital expenditure on education, which includes the construction of school buildings, installation of laboratory equipment and so on, declined from an annual average of nearly ten per cent of total government capital spending in 1974 to less than one per cent in 1986.

The implications of the cuts in public expenditure on the quality of education are serious. Both primary and secondary schools are very overcrowded as a result of inadequate classroom space. Many schools lack an adequate water supply
Spending on education has been drastically reduced as part of structural adjustment packages to cut government expenditure, and schools are now chronically short of teaching materials.

and sanitation facilities are extremely poor. Textbooks are not available to most students because of their prohibitive costs. With reduced government expenditure on education, working conditions in schools have deteriorated significantly. With teaching materials generally unavailable, and with real incomes of teachers declining, there has been a high rate of attrition in the profession. Many teachers are involved in the informal economy at various levels in an attempt to improve their declining living standards.

Many schools, including some of the ‘top’ secondary schools, have had to rely on various techniques to mobilise funds to help meet the shortfall in money provided by government. These have included requests for financial assistance from parents, and the holding of various commercial events such as fairs and parties to help top up teachers’ salaries and provide for other areas of both recurrent and capital expenditure.

The poorer strata in the society are generally more seriously affected by this deteriorating educational provision. The SLC shows that in the age group three to five years, children in the bottom 20 per cent of Jamaican households are twice as likely as
those in the top 20 per cent not to be enrolled in school. The situation is closely similar throughout the entire school system.

Since the majority of poorer children terminate their schooling in primary schools, the situation in primary schools warrants additional scrutiny. Enrolment in primary schools declined during the 1980s by about seven per cent over the period, while there has been an increase in the numbers of children of primary school age in the population. At the same time the number of primary school teachers has also fallen to such an extent that the teacher/pupil ratio has actually worsened in spite of falling numbers of students. There are also high levels of grade repetition and school dropouts at this level.

The SLC data is revealing:

• Over 60 per cent of the poorer strata children abandon mainly primary school between grades seven and nine;
• about one in every four primary schools students cited financial reasons for non-attendance at schools;
• over one in five primary school students have repeated a year more than once;
• the mean annual expenses per child in primary school were J$1119 (1989), with over 60 per cent of this being for ‘lunch’, and nearly 25 per cent for ‘fees’.

What is even more alarming is the suggestion, from usually reliable sources, that over half of the children completing primary school are ‘functionally illiterate.’

For Jamaica as a whole, secondary education has shown remarkable deterioration. Mainly as a result of the problems we have outlined above, secondary school performance is marked by low attendance levels and low achievement levels. Data available for total entries and passes for the GCE ‘O’ levels reveal clearly the seriously worsening situation in the secondary schools. Total number of both entries and passes have been declining. Whereas in 1975, over 7,000 students took the English Language examination with a pass rate of nearly sixty per cent, by 1989, the comparable figures were 5,747 with only 34.5 per cent passes. In English Literature, both the numbers and pass rates have fallen significantly. Pass rates for Economics/ Accounts, Mathematics, Physics, Chemistry and Biology have also dropped.
With respect to the Caribbean Examination Council (CXC), examinations which are replacing GCE examinations in the Caribbean, the pattern has been no different. For example, the pass rates in both English Language and English Literature have both declined over the last two years, as have Economics/Accounts and Mathematics pass rates.

2.6 Fighting back: two responses to material deprivation

With increasing levels of unemployment, deteriorating real incomes, and generally worsening living conditions in Jamaica, people have responded in a variety of ways. Two examples are given in this section.

One widely used response has been migration. Between 1975 and 1980, migration rates averaged about over forty per cent of the natural population decrease annually as many people, especially those with professional and technical qualifications, left Jamaica because of the perceived 'communist threat'. Between 1981 and 1985, however, the migration rates had declined to under 20 per cent of the decrease annually. However, Emigration is a positive response by individuals to worsening living conditions, but is draining the country of skilled personnel. Waiting outside the US Embassy in Kingston.
as adjustment policies leading to worsening living conditions began to have an effect, from around 1986 migration rates climbed to 49 per cent in 1986, 77 per cent in 1987, and 88 per cent in 1988. According to the Economic and Social Survey (1991), 24,600 Jamaicans emigrated in 1990, more than double the 1989 figure of 10,400. On average more than 8 out of every ten legal migrants from Jamaica go to the US, with the remainder to Canada and the UK. As might be expected, at least one in every five migrants is a skilled worker whose departure leaves a significant vacuum in the country’s labour market. There is also a significant amount of reported illegal migration to the US from Jamaica.

Another strategy which is used by a number of Jamaicans is participation in the informal economy. Informal economic activity is defined to include those which violate laws or official regulations, or contravene generally accepted standards and codes of business behaviour. Illegal activities fall within the informal economy and these have shown some increases in the 1980s.

Empirical studies show that the informal economy in Jamaica has been growing and its size is estimated at over 60 per cent of the size of the formal or reported economy. Those activities in the informal economy which are legal have been increasing; many of these operations are categorised as micro-enterprises or for some even ‘pre-micro’ businesses. Most recent estimates indicate over 30,000 of these operating in Jamaica.

2.7 Alternative adjustment policies

The poor in Jamaica, as in many developing countries, face tremendous material deprivation and significant threats to their well-being when their governments are engaged in IMF/World Bank adjustment programmes. It is impossible and would border on arrogance for any one individual to compile an alternative approach which a country should follow in order to overcome its economic and social problems. This must come from the majority of the people themselves. However, we make a few suggestions in the paragraphs which follow.

Policies to reduce the debt servicing burden warrant some
consideration. External debt policies can be classified firstly, into those which completely eliminate the debt payments, and secondly, those which reduce the payments to tolerable levels.

Among the first group are included conscious debt repudiation or default where the borrowing country unilaterally decides against repayment; such a decision is very risky and could lead to retaliatory measures such as termination of all credit or an economic embargo by creditor countries and institutions. Such actions could seriously jeopardise the economy of the debtor country. Alternatively, debt 'forgiveness' may allow the debtor country to cease debt repayment because the lending country has 'written off' outstanding debts; it is to be noted that this is possible only with respect to bilateral arrangements.

Among the second group of proposals are included debt rescheduling where the repayment periods are extended; the limitation of debt service payments to a certain percentage of export earnings; and the conversion of debt into equity.

Canada recently 'forgave' a portion of debts owed to it by a number of countries, Jamaica included; and Jamaica has managed to reschedule all of its commercial bank debts.

In our view, the current structural adjustment programmes in which Jamaica is involved should be changed in order to reduce the adverse impact on the country's poor. What is required is a 'pro-poor' modification of existing IMF/World Bank policies. This may include some or all of the following; firstly, any further public expenditure cutbacks should ensure that those expenditures which benefit poor people are retained. Where already reduced, previous expenditure levels should be reinstated. Secondly, those subsidies which can lead to worsening of the well-being of poor people should not be reduced, while those which have already been eliminated must be re-introduced. Thirdly, measures should be implemented to help those workers who have been made redundant as a result of adjustment policies; policies which can stimulate increases in demand for such labour can be encouraged. Redundant workers could be provided with small amounts of low interest, start-up capital for micro-business ventures.

Over the medium term, the Jamaican authorities should devise policy prescriptions geared towards promoting development for
This motor mechanic runs her own business, but small-scale entrepreneurs find it hard to get credit. Government policies which encouraged small businesses could boost the economy.
The economy of Jamaica

the majority. These policies ought to reflect a concern for redistribution, social equality, and popular participation in decision making. In this context, priority concerns will be deliberate, conscious, and planned attacks on poverty.

In dealing with the poor, a basic-needs strategy should be devised. This strategy has as its main foci the personal needs of the people such as food, clothing and housing, and the broader public needs such as health care, education, sanitation, and culture. In our view, employment policies are critical in facilitating the adequate satisfaction of the basic needs of the Jamaican people.

The institutional arrangements are also critical. In our view, total reliance on the market mechanism is problematic. The private sector, by itself, cannot facilitate development in the interest of the wider society. The state has a role to play in economic and social development. It should, however, not serve narrow minority social and economic interests since this generates class polarisation and social instability. Concern for the majority of the Jamaican people should guide public policy and as such, every possible attempt should be made to ensure that there is equity and social justice in the distribution of the costs and benefits of adjustment.

In our policy proposal, there is a useful role for non-governmental organisations. Many NGOs have developed strong links with important pressure groups resisting those policies which impact negatively on the poor. Two of the main strengths of NGOs in Jamaica are their capacity to help service those poor communities which have been neglected by government services and their generally acceptable approach geared towards generating self-confidence, capacity, and organisational capability among the poorer groups in the society.

In the latter context, NGOs can play a vital role in re-introducing various participatory forms like self-help and co-operative arrangements which have been eliminated during the period of IMF/World Bank adjustment. By their nature of their operations, Jamaican NGOs are well placed to help reduce the dependence of various community groups and organisations on external funding by generating self-help programmes and projects.
Farming family on their smallholding. Farmers face steeply rising costs for inputs, and problems in marketing their produce.