

backgrounds. This party division led to the perpetuation of a patron-client framework which dominates Jamaican politics to this day.

Third, political tribalism between parties led to widespread instances of violence and political intimidation. In addition to this violence, instances of fraud and gerrymandering became widespread especially in safe-seat constituencies where one party predominated over the other. This political corruption, although practised by many, did not significantly alter election results. Indeed, "Jamaica can still count as a democracy especially when discussed in a Third World context. Elections have not been grotesquely rigged, as in Nigeria; former leaders have not been hanged by successor-regimes, as in Pakistan...All in all, given the pressures, it has been quite an heroic performance."

PART II

Joshua's Ascent and Fall: New Development Paths - Strategies and Outcomes

CHAPTER 3

THE DEMOCRATIC SOCIALIST EXPERIMENT (1972-1980)

After the death of Moses, the Lord spake unto Joshua saying, "now therefore arise, go to Jordon with all my people, unto the land which I do give to them, be strong and couragous, turn not to the right hand or to the left."

—Joshua 1: 2,7.

Michael Manley's rise to power in 1972 must be understood within the historical context of popular social unrest and the widespread call for welfare reform in the decade preceding the election. Throughout history, the Jamaican people had consistently risen up in rebellion and revolt to increase political participation and improve their social conditions. Independence had not satiated these desires, however, and popular dissatisfaction reached new highs during the 1960's. The repressive and autocratic policies of various government administrations only intensified the general anger and desire for change. In many ways, this rise in popular unrest conditioned Manley's actions in government and provided the impulse for him to place a significant emphasis on social reform—as a means to pacify and quell discontentment.

This chapter will argue that Manley succeeded in enacting a psychological revolution by raising the political awareness of the populace and by incorporating previously neglected social groups into the political process. It also argues that Manley failed, however, to achieve economic growth both because of external shocks and internal mismanagement. As he himself later observed in the 1990's: "In the '70's, the government tried to tighten regulatory controls and entered into many areas of economic activity in the hope that this would ensure social justice and economic growth. We got some social justice, a lot of black market activity, and no economic growth."¹ Ultimately, Manley's rhetorical excesses and his failure to commit to a constant path of development led to his party's defeat in 1980.

Michael Manley won the 1972 election on a purely populist platform that lacked ideological substance. It was clear, however, that Manley was committed to the principles of international reform, social justice, the reorganisation of society along more equitable lines,

and the extension of political participation beyond the middle and upper classes. He therefore passed legislation and created social programmes to remove the economic burdens on the disadvantaged and incorporate them into the political process. While he emphasised the need for the state to take the role in this regard, he viewed state power as a means to redistribute ownership among the people as opposed to being an end in itself. Although his rhetoric alienated business interests, Manley always maintained a commitment to a mixed economy and to active private sector participation.

After two years in office, Manley realised that his earlier populist appeal had created exceedingly high expectations among the populace which his social welfare programmes had not fulfilled. He also felt that while he was headed in the right direction, he lacked ideological focus and needed a unifying philosophy that would both clarify his long-term goals and motivate the public (especially since he would soon be facing an election). He therefore embraced democratic socialism as the guiding ideology of the party.

In theory, the socialist declaration served several practical purposes. Manley felt that it would mitigate opposition charges that he had embarked on a radical ideological experiment—because, technically, the party had always been socialist. Paradoxically, the democratic socialist label also provided substantial room to pursue a new development path. While the PNP was indeed socialist—it had never officially defined socialism and in fact explicitly clung to a vague conceptualisation of the ideology.

In reality, the attempts to define socialism led to fundamental questions about the reorganisation of Jamaican society that created intense internal factionalisation and debate. As left and moderate forces struggled for ideological control of the party, Manley vacillated between his idealistic aspirations for a society based on class consensus and his realistic assessment of the powerful capitalist forces opposed to this. Manley's indecision created an inconsistent policy direction that hindered successful policy making, reduced confidence in the government, and led to a rapid drop in the PNP's popular support. While Manley's personal popularity ratings fell between 1974-80, as we will see, he still remained the most popular political leader in the country.

Although the economy was adversely affected by several external factors, Manley's fiscal expansionism and restrictive controls

on private sector production played the crucial role in the severe economic decline which characterised this period. On the positive side, the government managed to contain the trade deficit, improve domestic agricultural production, and provide incentives for informal opportunities, all of which prevented the total collapse of the Jamaican economy. Manley's relationship with the IMF—and his eventual break from the Fund—made him realise the tremendous power that capitalist forces in the international economy wielded over Jamaica's economic development, a fact that would have a tremendous impact on his later rethinking.

DEMOCRATIC SOCIALISM: POLITICAL AWARENESS AND ECONOMIC DECLINE

The victory of the PNP in the 1972 elections reflected widespread dissatisfaction with the status quo and a desire for economic and political change. Democratic socialism did not play a role in the PNP's campaign. Prior to the election, Manley declared that he rejected all forms of ideological "isms". Instead, Manley adopted a populist approach in an effort to win broad-based class support. His political agenda consisted of an end to political victimisation, the restoration of parliament to the center of political activity, voter registration reform, and various anti-corruption measures.

Manley's charisma and impressive oratory appealed to a wide-cross section of Jamaican society and thus contributed to his resounding victory. In contrast to the authoritarian response of the JLP to the rise of the black power movement, Manley openly courted black nationalists, Rastafarians, urban-youth, the unemployed, and the "sufferers" throughout the island. He used religious imagery by portraying himself as the biblical Joshua and labeling Prime Minister Shearer as pharaoh in his appeal to these groups. In addition, he captured support among Rastafarians and black nationalists by traveling with a "Rod of Correction" allegedly given to him by Ethiopian Emperor Haile Selassie. The Jamaican populace found renewed hope for the future in Manley's campaign slogans which argued that "Better Must Come," "It's Time for a Government of Love," and "Power for the People." In the election, the PNP captured 56% of the vote and thirty-seven (37) seats, compared to the JLP 43% and sixteen (16) seats.

In his first two years of office, Manley initiated various programmes and passed a series of laws designed to improve social

welfare in the society. In his first budget debate speech, Manley outlined the four principles upon which his policies were premised: equality, social justice, self-reliance, and discipline. He also outlined his commitment to increasing employment, housing and nutrition and announced various programmes for addressing inequities facing women and youth.

The PNP declared a programme of democratic socialism in 1974. The democratic socialist declaration led to the formation of left and moderate ideological factions in the PNP that were divided on the exact meaning of democratic socialism. As political tensions heightened and as the economy worsened in response to the international oil shocks, violent activity escalated throughout the island. In response to these developments, the government declared a state of emergency in 1976. In the face of this extraordinary step and despite the decline in the island's economy between 1972 and 1976, the PNP won the 1976 election and increased its majority in the House from thirty-seven (37) to forty-seven (47) seats.

In 1977, the government attempted to avoid an imminent collision with the International Monetary Fund (IMF) by starting research to produce an alternative economic plan based on greater national self-reliance. With Manley's realisation that economic development without the IMF would be catastrophic for the country, the government halted this plan and eventually signed an agreement with the IMF in 1977.

Between 1977 and 1979, the IMF programme which Manley had delayed for years created deepening economic crisis. At the same time, vigorous opposition to the government by the JLP, the press, the bauxite companies, the private sector, and the US government led to charges of destabilisation by PNP supporters and others. By 1979, the crisis had become so severe that Manley decided to readopt his anti-IMF position. He called an election in 1980 and based his campaign on a break with the IMF. Widespread economic dissatisfaction led to the PNP's defeat in the extremely violent 1980 election. In the island's worst electoral defeat, the PNP managed to win only nine (9) seats, while the JLP won an overwhelming majority, with fifty-one (51) seats.

THE IDEOLOGY OF DEMOCRATIC SOCIALISM

Manley's Ideological Background

Michael Manley played a crucial role in the PNP's formal declaration of democratic socialism in 1974. As such, it is imperative that we discuss the ideological influences on Manley's life before examining the ideology of democratic socialism as manifest in the PNP political agenda. Four primary influences helped to shape Manley's ideological and political outlook: (1) his education at the London School of Economics (LSE) under the British socialist Harold Laski; (2) the political views of his father, Norman Manley; (3) the twenty years he spent representing labourers in the National Worker's Union; and (4) his work as a journalist for the left-wing reform journal, *Public Opinion*.

Manley studied politics and economics at the LSE, where he was greatly influenced by British Labour Party Chairman and LSE lecturer, Harold Laski. Manley later described Laski as "the greatest socialist thinker of our time."² Laski advocated socialism within the democratic framework, arguing that "liberty has no meaning save in the context of equality."³ From Laski, Manley derived his sincere commitment to the application of socialist ideals within a democratic structure.

In addition, many of Manley's political views came from his father, Norman Manley, the former President of the PNP. Hoffman argues that "certainly, the elder Manley's commitment to Fabian socialism and his long association with members of the British Labor Party influenced his son."⁴ In particular, Manley appreciated his father's broad view of socialism. The elder Manley's view of socialism allowed for substantial interpretation. When Norman Manley declared the PNP socialist in 1940, he explained that "[s]ocialism is not a rigid dogma...It is essentially a principle of social organisation which has to be applied to the particular place where you are trying to apply it because it must depend on the particular conditions which obtain from time to time in that place."⁵

As President of the National Worker's Union, Manley came face to face with numerous poor labourers whose interests he represented against wealthy employers. Manley developed a deep-seated commitment to social justice and equality from these experiences. In one of his first books, *A Voice at the Workplace*, he expressed these sentiments and argued against deplorable working conditions

created by years of colonialism, slavery, and exploitative capitalism.

In the 1950's, Manley wrote a column entitled "The Root of the Matter" for *Public Opinion*, a nationalist, progressive, anti-establishment weekly sympathetic to the PNP. In his column, Manley was critical of the colonial government and repeatedly denounced imperialism and other forms of exploitation. In addition, following his father, he denounced communism as a political objective of the PNP: "The PNP is not, and never can be, either wholly or in part a Communist movement...Democratic socialism and planned economic progress for Jamaica are the bases of PNP political loyalty and integrity, the pillars of its existence."⁶ From his work with the *Public Opinion*, Manley developed opposition to communist extremes and advocated instead a centrist viewpoint with mild socialist leanings.

The Decision to Embrace Democratic Socialism

Manley's book, *The Politics of Change*, was first published in 1973, the year after he had been elected Prime Minister. In that work, Manley outlined his view of Jamaica's past and laid out a philosophical agenda for future political change. He explicitly disavowed any particular political philosophy, however, and made only a few token references to democratic socialism. Instead, he focused on the broad principles of equality, social justice, self-reliance, and a commitment to democratic traditions. He used these ideals to justify his government's legislative reform in education, foreign policy, and various aspects of the economy. Because it focused solely on philosophical concepts, the book failed to provide detailed proposals for change.

The publication of this book was significant for two reasons. First, it reflected Manley's need for an ideological underpinning to explain and justify his actions. Second, it also highlighted Manley's tendency to avoid detailed economic or political plans. Manley soon developed an image for being a brilliant conceptualiser and thinker but for being less adept at implementing the concrete manifestations of his ideas and principles.

During his first two years in office, Manley implemented a number of social programmes. While these were generally well received, they failed to generate the broadbased support and consensus Manley desired. Indeed, certain of Manley's initiatives created widespread opposition. For instance, in May 1973, Manley

announced that a levy would be imposed on landowners whose lands were not in full production. Within days after the announcement, "public opinion was ablaze throughout the country...common interest groups coalesced in public interest, sparking new groups of protesters into action. Never in Jamaican history was any Government bombarded, so quickly and completely." Eventually, the tax was watered down to the point where it became "largely emasculated."⁷

Manley's rhetoric in the election had created exceedingly high expectations which his limited social reforms could not fulfill. To further compound problems, the international economy began to decline and Jamaica began to feel the first effects of economic hardship. In just one year, from 1973 to 1974, Jamaica's oil import bill more than doubled from J\$65 million to J\$177 million. Between 1972 and 1974, Jamaica's public sector debt (used primarily to finance the government's welfare reform programmes) rose by 56.7% from J\$332.6 million to J\$520.8 million while the foreign component of the debt went up by even more, from J\$117.3 million to J\$206.3 million over the same period, an increase of 75.6%.

Manley recognised that he needed something more—something that could revitalise the disillusioned Jamaican people and inspire confidence in his government. The fact that he had to call an election within three years (with the economy on a downward slide) also convinced him of this need. In 1972, Manley had run on a platform lacking ideological substance. After two years in government, he needed something meaningful to compel the Jamaican people to believe in him (and to re-elect him). Consistent with his desire to justify his actions through philosophical underpinnings, Manley decided that a recommitment to democratic socialism was the answer.

In a speech before the PNP annual conference in 1974, therefore, Manley reaffirmed his commitment to democratic socialism. Manley made clear that he wished something profoundly new for Jamaica—a new socialist era. In his speech, he explained that historically, political parties in Jamaica had been comprised of "sordid...people who had particular interests that they wished to protect and promote."⁸ Political parties had become "unclean...to be swept under the carpet on public occasions and to be trotted out when spoils are to be divided or candidates to be elected." He explained that the PNP needed to reject this view and strive for more

noble goals.

Manley insisted that the party had to be organised around "ideals...to secure a national purpose." In the future, Manley promised that the PNP would be the "institution through which [to] organise the aspirations of the people." To accomplish this goal, Manley needed an ideological framework which socialism provided. For Manley, socialism was less of a policy directive and more of "an ideal, a goal and an attitude of mind that requires people to care for each other's welfare."⁹ Manley felt that since the party was officially socialist, his actions would not seem too radical to skeptics. On the other hand, since the PNP had never really embraced its socialist past, socialism provided something profoundly "new". Payne concludes that "the direction of the government's policy was not noticeably changed by the declaration of support for socialism. The intention was rather to mobilise the people more actively behind the PNP's strategy of change...[T]he reaffirmation of socialism was conceived primarily as a piece of mid-term electioneering."¹⁰

With the announcement of democratic socialism, Manley assembled a team of young, bright leftists and a few moderate members of the party to draft a document defining socialism. This group "embarked on an exercise which went on for several weeks, exclusively at night, since the days were devoted to the running of the country."¹¹ Two months after Manley's speech, the PNP published "Thirteen Principles of Democratic Socialism," which reflected the work of this group. This document stressed general themes such as co-operation, but—reflecting the input of the moderates—it recognised the right to private property and called for a mixed economy.

Despite the publication of this document, the PNP failed to adequately define democratic socialism. In a variety of fora, Manley provided differing definitions of the political dogma. Socialism was defined as "Christianity in action," "love," and a system where "no man shall be allowed to exploit his brother." Eventually in a series of speeches and documents, the PNP slowly began to clarify democratic socialism.

As the excitement of ideological rebirth intensified, so too did the internal factionalisation within the PNP. Conflicts quickly emerged when the party attempted to define democratic socialism. With a deepening economic crisis in 1974 and 1975, and the election in 1976, the party could not adequately address the issue in a cohesive

manner. In 1977, the left-wing of the party rose to prominence and the education efforts intensified. As a result the party published, in Manley's words, a "significant and extraordinary" document, "Principles and Objectives of the People's National Party" in 1978—four years after the socialist declaration. This document—which reflected months of extensive internal debate and dissent—finally clarified the party's socialist ideology.

The PNP and Democratic Socialism

Despite slight variances in how the party viewed socialism, certain basic principles quickly became evident. The PNP made its aim clear: "[t]he objective of the PNP is the construction of a socialist society."¹² This socialist society would rest on the two principles of social ownership over the means of production and societal equality of opportunity. *Principles and Objectives* therefore defines democratic socialism as "a political and economic theory under which the means of production, distribution and exchange are owned and/or controlled by the people...[and where] the opportunities of society are equally available to all."¹³

Although Manley quickly developed a close relationship with Cuba, he emphasised that his version of democratic socialism had "nothing to do with the Cuban model."¹⁴ Indeed, Manley hoped to pursue an alternate "third path" between the so-called Puerto Rican model of dependent capitalist development and the Cuban model of dependent communist development. Manley stressed that while he hoped to find an independent and unique development path for Jamaica, he was interested in the "Scandinavian experiment. Norway and Sweden in particular" because of his interest in "co-operatives, mixed economy, [and a] strong state sector, working for industrial democracy through worker participation."

For Manley, social ownership did not necessarily mean state ownership, although it certainly meant that the state should take an active ownership role in certain industries. He proclaimed in a speech to his party, for example, that "we do not want more power for the state. What we want is more power for the people."¹⁵ He felt that cooperatives were necessary for workers to have a "personal stake" but that the state needed to take the lead in providing services to the cooperatives and marketing their produce.¹⁶ Although he encouraged cooperatives and "people" ownership, Manley argued that the state needed to maintain control over certain elements of the

economy critical to national development. For example, he declared in 1973 that "land should be leased for specific development purposes, but never sold...nationals who hold land for speculative purpose should be required to develop what they own immediately or sell it back to government."¹⁷

The PNP hoped to build an alliance of all class interests in its pursuit of a socialist agenda. The party manifesto expressed this desire to formulate a broad-based consensus among "the working class, the small farmers, middle strata and reclaimed elements from the lumpen proletariat...[in addition to] capitalists who are willing and able to contribute to the building of the just society, which is the objective of socialism."¹⁸

With its firm commitment to a socialist path, the party explicitly rejected both communism and capitalism. Manley had long harboured an opposition to communism largely because its totalitarian tenets contradicted his deep respect for democracy. In the 1972 elections, Manley made it clear to the people that "I am opposed to communism, passionately. I am opposed...to all forms of subversion, passionately. Let us understand that it is not necessary to destroy to make change."¹⁹ Although the party willingly accepted capitalists within its ranks as part of its desire to build national consensus, the PNP opposed "capitalism as the system upon which to base the future of Jamaica [because] this system involves the exploitation of people and obliges individuals to pursue private gain at the expense of their fellow citizens without regard to any other interest."²⁰

Despite the strident rejection of a capitalist path, democratic socialist doctrine advocated a mixed economy in which the private sector would play a role. Manley emphasised that certain sectors, such as the manufacturing sector, naturally belonged in private hands, but that the state needed to control the commanding heights of the economy.²¹ Specifically, the PNP felt that the state needed to establish sovereignty over the "national economy," defined as natural resources, financial institutions, and foreign trading relations.²² To pacify local capitalists, the party re-emphasised its commitment to the right of every Jamaican to own private property.

To foreign capitalists, Manley stressed his opposition to government expropriation of property unless in the national interest and only with adequate compensation. In numerous speeches and in government documents, the party stressed that "wherever the

Government acquires assets in the national interest it will observe the principle of fair compensation. This Government rejects any form of expropriation."²³ Indeed, Manley made numerous references to the major role that both local and foreign capitalists should play in the economy. In an address to the National Executive of his party, he asserted that "[t]he socialist believes that private enterprise and economic activity can be a most efficient and effective way of producing the general run of goods and providing the general run of services in the country."²⁴ Manley also reiterated the need for foreign capital—"we need foreign capital and we need foreign technology"—but emphasised that this capital could operate only within a nationalist framework.²⁵

Democratic socialism was therefore not as revolutionary as the rhetoric that accompanied it. Despite this fact, however, the PNP's ideological agenda created several problems that later caused severe strains and tension within the party. First, the excessive philosophical content of the ideology left substantial room for widely divergent interpretations of that ideology. As such, political factions within the party interpreted democratic socialism as they saw fit to suit their purposes. This led to intense internal strife which, in Manley's words "very nearly tore the party apart."²⁶ In addition, the tremendous emphasis on ideology and theory detracted from the technical and economic aspects of its practical implementation. Because the government focused so much of its efforts on political education and greater ideological clarity, it spent precious little time on the economic and bureaucratic realities of social reform.

POLICY INITIATIVES OF THE MANLEY REGIME

Following from the above ideological guidelines, the PNP's policy initiatives could be seen to fall into four categories: (1) independence from foreign control and an increase in the role of the state, (2) the pursuit of a more egalitarian society by increasing access to social benefits, (3) an increase in political awareness and participation, and (4) an alliance with other Third World nations in the pursuit of international economic reform. The government wavered between moderate and left ideological extremes during this period, but these goals remained basically constant.

Independence from Foreign Control and an Increase in the Role of the State

Although the PNP government supported foreign investment, it sought to reduce its dependence on foreign capital and control. Instead, the government encouraged a policy of national self-reliance through greater state ownership and an increase in domestic production. The most notable manifestation of this policy involved the government's relationship with the bauxite/alumina industry. Manley desired to play a more important role in the industry and to reduce the domination of foreign firms. The government therefore formed a National Bauxite Commission to investigate in what ways the government could participate more actively in the mining industry.

Eventually, the work of this commission led to the repatriation of lands owned by the bauxite companies, the acquisition by the government of fifty-one percent ownership in the bauxite mining operations, the establishment of the Jamaica Bauxite Institute (JBI), the formation of an international cartel of bauxite-producing countries (International Bauxite Association), increased revenues through a production levy imposed on the price of aluminum ingot, and the development of a smelter complex in cooperation with Venezuela and Mexico.

This increased government involvement in the industry led to a two-fold response by bauxite/alumina firms. On one hand, the companies filed suit with the World Bank's International Center for the Settlement of Investment Disputes contesting the legality of the unilaterally-imposed production tax, while on the other hand, they began to transfer bauxite and alumina production from Jamaica to other countries. Despite this hostile response, the introduction of the levy received widespread support from most of the local capitalist class and even from the *Daily Gleaner*, the island's largest newspaper which later became extremely hostile toward Manley.

Indeed, in terms of revenue generation, the government's actions with the bauxite companies proved relatively successful. The 7.5% tax on bauxite under the Bauxite Levy boosted Jamaica's earnings from its only exportable mineral from US\$23 million in 1974 to US\$195 million in 1979, but in the intervening years production was cut by approximately 50% because of the bauxite companies' reaction to the levy, as well as the loss of highly trained workers through migration.

In addition to the bauxite/alumina industry, the government

also increased its participation in various other aspects of the economy. The government nationalised the Jamaica Public Service (JPS) company, Jamaica Telephone Company (JTC), and the Jamaica Omnibus Service (JOS) as part of the strategy to control the "commanding heights." In trade, the government enacted a series of reforms that included restrictions on luxury imports, the implementation of import licensing, and the establishment of the State Trading Corporation (STC) to coordinate imports into the island.

In banking, the government nationalised Barclay's Bank and merged it with the Bank of Montreal to create the National Commercial Bank (NCB) in late 1977. In the same year, the government also nationalised a major radio station, Radio Jamaica (RJR), and in a move designed to spread ownership, the government divided shares in the station among the state, station employees, and the island's trade unions and professional associations. The government already owned the other radio station, the Jamaica Broadcasting Corporation. Evidence suggests that the PNP purchased Radio Jamaica "as part of a political education programme."²⁷ In manufacturing, which Manley had earlier proclaimed the "natural" domain of the private sector, the government purchased majority shares in the island's only cement company, an enterprise owned by the wealthy Ashenheim family.

In addition to these major nationalisations, the government increased the role it played in numerous other aspects of the economy including export agriculture, livestock, tourism, and general services. Consistent with its belief in a mixed economy, however, the state played little or no role in domestic food production, fishing, forestry, construction, distribution, and printing, leaving these areas to private sector control.²⁸ Manley only participated in industries that he felt were crucial to the national economy.

The Pursuit of a More Egalitarian Society By Increasing Access to Benefits

In Manley's first year of government, he announced various plans designed to increase the access of all members of society to certain social benefits. To address unemployment, the government created the Special Employment Programme (SEP) which emphasised jobs such as street cleaning and sanitation. Although the SEP reduced employment in the short-term, the programme created

little employment permanency and led to frequent incidences of idleness, absenteeism, and non-productivity. In addition, the government started a National Literacy Board later replaced by a Statutory Board for Adult Education (JAMAL) that launched a nationwide campaign to eradicate illiteracy. The JAMAL programme proved to be one of the government's most successful initiatives, where the government realised early potential implementation problems (with the National Literacy Board), took corrective action, and successfully introduced a replacement programme (JAMAL).

In agriculture, the government introduced a variety of schemes. Most importantly, the government started Project Land Lease, an agricultural programme designed to provide small holders and rural labourers with more land through tenancy. Other programmes included Operation GROW (Growing and Reaping Our Wealth), Project Food Farms, and Self-Help, all geared toward increasing domestic production for local consumption, creating jobs, and mobilising small farmers. The government also expanded sugar cooperatives by turning land over to sugarcane growers and strengthened the powers of the Sugar Industry Authority (SIA) to increase the role of small farmers in the industry.

These initiatives generated some success in increasing the number of small farmers and utilising idle land. Because the government did not institute a land reform package (out of respect for large landowners), no significant changes in land ownership structure occurred and only 14% of idle land was redistributed. In addition, these programmes suffered from extensive political patronage as the PNP distributed agricultural lands largely along party lines.

In education, the government made substantial reforms. In 1973, Manley announced free education for both secondary school and university education, free school uniforms for primary school children, and even a nutrition programme to provide lunches for students. Significantly, the government started a compulsory National Youth Service Programme for high school graduates to teach in schools, vocational training and the literacy programme (work in health, youth camps and civil service was an alternative).

Manley's introduction of free education highlighted one of his negative populist streaks—to introduce programmes based on principle but not on a realistic assessment of funding. In the announcement of free education, Manley introduced the proposal

without the approval of the Ministry of Finance which had initially rejected the programme as too costly. The government had received an unexpected source of income from taxes which prompted Manley to announce the initiative anyway. But the programme led to a severe problem in long-term funding and served as a major drain on the budget.

In housing, the PNP created the National Housing Trust (NHT) to channel employer and employee contributions to build houses for workers. Throughout the PNP rule, the government managed to increase dramatically the number of houses, but failed to build as many as it had expected because of severe budget constraints. Notably, the government introduced a lottery for distribution of housing. As a result, this programme was the PNP initiative least tainted by political partisanship and patronage.

In addition to the establishment of various state corporations, the government passed a series of laws aimed at improving the standard of living. In 1973, the government instituted subsidies on basic food items and two years later, the government passed the National Minimum Wage and the Equal Pay Law. The government also established comprehensive price and rent controls. Other areas of social legislation included maternity leave for women, a removal of the legal stigma of bastardy, and protection of workers against unfair dismissal—all in an effort to reduce the economic burden on the disadvantaged members of society.

Despite the few programmes that achieved relative degrees of success, such as the literacy and housing programmes, most of the government programmes failed to make a successful transition from conceptualisation to implementation. As Manley himself would later reflect, "[our programmes] were theoretically good ideas and they were decent objectives, but the problem was they were...a disaster in implementation."²⁹ Stone identifies the major reasons for failure as "thin layers of leadership, limited technocratic skills and intellectual resources, lack of discipline among party cadres [and] rampant corruption and patronage excesses."³⁰ The government recognised these limitations during the late 1970's but continued to purchase enterprises, especially those that had been abandoned by private sector officials who had fled the country in fear of socialism.

An Increase in Political Awareness and Participation

The democratic socialist ideology rested upon a fundamental

principle of "inculcating new values and attitudes" among the populace.³¹ As such, the party emphasised ideological education. In particular, the party stressed mass information campaigns as an essential means to explain the tenets of democratic socialism and to disseminate ideas such as community service, cooperation, patriotism, and self-reliance. This agenda arose directly out of Manley's own "conviction and fear that if you don't keep alive at the center of a political party some sort of ideal commitment towards social equitable means, what is there to stop a political party from becoming a totally miserable purveyor of benefits...with no central set of ideas which guide you strategically?"³²

To facilitate this educational objective, the party established an organisational and propaganda machine largely under control of the more left-leaning members in the party soon after the election. The party established mandatory training sessions on democratic socialism for party members at all levels after the 1974 announcement. The vagueness of the programme led to a cancellation of political education classes. These classes did not recommence on a regular and sustained basis until 1978 when the power of the ideological left peaked. In the intervening period, political education fell largely in the hands of the active left-wingers who used the opportunity to push a hard-line socialist stance. PNP-affiliated organisations such as the PNP Youth Organisation (PNPYO) and later the PNP Women's Movement also served as vehicles of popular mobilisation.

The most important aspect of the educational programme was the creation of community councils and Community Enterprise Organisations (CEO's). Community councils were designed to coordinate activities of local groups, mobilise community members, advise the central administration on plans for community development, monitor the central government projects like rent assessment and price control, and organise self-help projects. To complement the socially-oriented community councils, the government also created Community Enterprise Organisations (CEO's), community-owned economic cooperatives designed to produce for the local community. The CEO's adopted two forms: pioneer farms in the rural area to produce food for local consumption and urban CEO's to manufacture goods and provide services in depressed areas.

Although both community councils and CEO's became

widespread throughout the island, their success varied depending on the region and on the commitment of community members. In urban areas, most councils and CEO's fell along party lines and served as nothing more than another source of party patronage. Political tribalism occurred less frequently in rural areas where community councils served a more functional and practical role. The government's decision to divide various functions of the councils and CEO's under differing ministries created severe bureaucratic hindrances. Moreover, many local government officials and Members of Parliament (MPs) opposed the councils and CEO's because these programmes posed a threat to established patronage and distribution systems. Stone concludes that "except for isolated areas the entire proposal [was] a grand bureaucratic programme without sufficient mass support to give it a significant impact on national politics."³³

The mobilisation drive reached its peak in 1977 with the creation of a new Ministry of National Mobilisation and Human Resource Development, under the supervision of leading leftist D.K. Duncan. This ministry assumed responsibility for coordinating and monitoring the governments people-based programmes. More specifically, the ministry was responsible for supervising the democratisation process in education, the newly created Community councils, and worker participation programmes. With the decline of the left in the party and Duncan's resignation, the ministry atrophied and never succeeded in implementing any significant or long-lasting changes in the political process.

A Third World Alliance and the Pursuit of International Economic Reform

Michael Manley's political thinking occurs within an historical and global context heavily influenced by dependency theory. His ideological writings are replete with references to the imperialist world economic system where Northern countries regularly exploit countries in the South. To remedy years-of imperialist exploitation by the North, Manley argued that Third World countries needed to adopt "collective self-reliance" on the "long, hard road to economic independence."³⁴

These ideological impulses fueled Manley's drive to bring Jamaica into the fore of the Third World struggle for international economic reform. Manley argued that Jamaica had two primary foreign policy objectives: "to construct economic alliances that give

us the greatest chance to underwrite our economic independence...[a]nd...to make common cause with all developing nations of the world who share our fate."³⁵ This required an organised force determined to bring about change. Manley asserted that "[i]n the name of equality of nations we are seeking to organise the poor of the world to form a striking force that shakes up economic imperialism and creates a new world order."³⁶

The success of the OPEC oil cartel and the blow to United States supremacy dealt by the Vietnam conflict emboldened Manley in his conviction that a united Third World could play a significant role in international affairs. Although Manley sought to preserve friendly relations with the United States, he also hoped to expand Jamaica's international relations with countries to which the United States was hostile. In the international arena, the government participated in the New International Economic Order (NIEO) and the Non-Aligned Movement which both sought to increase Third World cooperation. Under Manley, Jamaica moved from virtual isolation, obscurity and subservience to the West to a position of leadership in the Third World.³⁷

Manley himself became a renowned international spokesman for the Third World. He repeatedly denounced apartheid and other oppressive practices while he praised liberation movements which fought against first-world imperialism. He became the leading Third World advocate in the Socialist International, an organisation to which he was elected Vice-President. Manley received international recognition when the United Nations General Assembly awarded him a prize for his work in securing a settlement in the Zimbabwe conflict. Manley's visible international role also led to Jamaica's election to the UN Security Council, a position it had never held before. In addition, Manley's international participation led to the election of P.J. Patterson, a leading government minister (and current Prime Minister), to head the African, Caribbean, and Pacific Countries (ACP) in the negotiations for the Lomé Convention.

Jamaica's close relationship with Cuba elicited sharp criticism both locally and from the United States. Early in his first term of office, Manley opened full diplomatic relations with Cuba (along with various other communist countries). In 1973, Manley attended the Non-Aligned Heads of State Conference with Fidel Castro and the Guyanese socialist Forbes Burnham. In subsequent years, Manley developed a close personal friendship with Castro. As this

relationship grew, so too did the number of economic and political exchange programmes between the two countries.

Manley's extreme fascination with Cuba came from his many visits to the country. Although he opposed the totalitarian element of the Castro regime, he praised Castro for his impressive advances in health and education. Manley dreamed of implementing similar structures in Jamaica—although he recognized that "the Cuban system cannot work in Jamaica."³⁸ Jamaica became so close to Cuba that in a 1979 poll, a majority of Jamaicans felt that Cubans exerted too much influence on Jamaican politics.

Jamaica benefited from its increased role in international affairs. Its prominence in the Third World led to loans from OPEC, Libya, and Algeria and concessionary oil prices from Mexico and Venezuela. Manley's role in the Socialist International brought Norwegian and Dutch aid while closer relations with communist countries resulted in a line of credit from Hungary and a new market for products.³⁹ Manley's excessive rhetoric in this regard served to offset many of these gains. For example, his declaration that he would "climb to the mountaintop with Castro" only served to exacerbate hostility from the United States. Manley's militant posturing simply fed into the false perception that he intended to turn communist. This opposition from the United States, coupled with the economic crisis, contributed to Manley's defeat in the 1980 election.

CLASS SUPPORT AND THE STRUGGLE FOR IDEOLOGICAL CONTROL

The Pursuit of Class Consensus and the Fallout with the Private Sector

Historically, the PNP had enjoyed stronger support than the JLP among the middle classes, consisting of both blue- and white-collar workers. Conversely, the JLP had traditionally received greater support than the PNP from the lower classes and wealthy businessmen.⁴⁰ Although the PNP did not enjoy widespread support among businessmen prior to the 1972 election, it did depend upon a core group of wealthy families for most of its financial support (the party also had other sources of income primarily from union activities, but this income remained small). In the 1972 elections, Manley's populist appeal succeeded in winning him majority support among all class groups (see table 3.1). Manley hoped to channel his broad-based class support into a widespread consensus for change with significant overtures to all class segments and

hostility toward none.

While most of the government's rhetoric and programmes targeted the poorer classes, the appointments of individuals to operate these organisations frequently fell to wealthy capitalist supporters. For a single example, K. Hendrickson, the chairman and largest shareholder in the National Continental Conglomerate and Caribbean Communications, was appointed chairman of the islands's electricity utility, Jamaica Public Service, majority owned by the state. The increasingly antagonistic legislation and economic stagnation toward this class led to a rapid decline in business support for the Manley regime by the time of the 1976 election. In addition, members of the upper class migrated from the island in fear of a total economic collapse or a communist takeover.

Unlike the situation during the Cuban revolution, the apparent PNP antagonism toward the business class was not intended or even desired. In an interview conducted one year before his election defeat, Manley confessed that "the extent of [the negative reaction by the private sector] is more than I had anticipated, and it has been more stubborn than I had anticipated."⁴¹ Strong socialist elements within the PNP clearly approved of the capitalist exodus and Manley personally delivered a speech where he reminded the business class that there were "five flights a day to Miami" and the businessmen could leave the island anytime that they wished. Manley always felt, however, that capitalists had a vibrant and active role to play in the economy. For instance, Manley appointed some of the wealthiest men in the island (Mayer Matalon, Eli Matalon, Moses Matalon, Leslie Ashenheim, Peter Rousseau, and Patrick Rousseau) to major positions within the government hierarchy. He also appointed a leading private sector figure (R. Danny Williams) as Minister of Commerce and Industry in response to growing tension between the private sector and government. See table 3.1 for a breakdown of class support in the 1972, 1976, and 1980 elections.

As evidenced by the rapid drop in support among businessmen and high income professionals, the policies of the PNP inevitably created dissension and opposition from these groups. It was obvious that the strategy of change by national consensus was destined to fail. Manley's desire not to alienate any class or ideological group led to a fundamental contradiction that undermined the effectiveness of his agenda. Manley rejected capitalism but supported and made efforts to appease capitalists. He rejected communism but he

warmly embraced communists such as Trevor Munroe, head of the communist Worker's Party of Jamaica (WPJ), which lent "critical support" to the Manley regime during the 1970's. Moreover, this contradiction led to substantial vacillation in PNP policy direction. Manley allowed the ideological factions within his party to gain ascendancy at differing times. This led to confusing and often contradictory policy directions which only served to fuel charges of mismanagement.

Table 3.1 Class Support for the PNP 1972, 1976, and 1980 (%)

Class	1972	1976	1980
Unemployed and unskilled	52	60	40
Manual wage labour	61	72	48
White collar wage labour	75	57	37
Business and management, and high income professionals	60	20	14
Farm labour	52	56	42
Small peasants	47	45	35

Source: Hoffman, *Politics of the Manley Regime*, 64, 111.

Ideological Factionalism and Contradictory Policy Direction

The two ideological factions within the PNP during the 1970's were the "left" and the "moderates". There also existed a right-wing within the party that espoused certain pro-United States policies and resisted significant changes in the role of the state, but this group never assumed control of the party. In fact, certain members were expelled from the party for these views.

The left consisted of political activists in the party hierarchy and members of the "radical intelligentsia." PNP leftists included D.K. Duncan (General Secretary of the PNP), Hugh Small (a former President of the Young Socialist League [YSL] and member of the PNP National Executive), and Anthony Spaulding (who held the relatively innocuous Housing ministry in the cabinet). Prominent members of the PNP-supporting radical intelligentsia included Norman Girvan, Louis Lindsay, and George Beckford, who were all professors in the social sciences at the University of the West Indies

(UWI). This group received significant support from leftist organisations such as the communist WPJ, the PNP Youth organisation, and the PNP Women's Movement.

Prominent members of the moderate faction included most cabinet members and financial technocrats. Major moderate cabinet members included P.J. Patterson, David Coore, and Eric Bell. Financial technocrats included G. Arthur Brown (Governor of the Bank of Jamaica), Horace Barber (Permanent Secretary in the Ministry of Finance), and Gladstone Bonnick (Director of the National Planning Agency). Although they had a smaller membership in absolute numbers, the moderates nevertheless exercised substantial power since they controlled most of the policy and economic decisions.

Until the formal declaration of democratic socialism in 1974, neither group exerted overwhelming influence over policy. Between 1974 and 1976, the left faction became increasingly dominant with the redeclaration of democratic socialism. In the 1976 election, two leftists (Duncan and Small) assumed relatively important ministries (National Mobilisation and Youth/Community Development), while two members of the dormant right wing left the ministerial ranks. In addition, a left-wing intellectual (Girvan) replaced a moderate (Bonnick) as head of the National Planning Agency, which gave the left significant economic control over policy decisions.

With this structure firmly in place, the left began to organise an Emergency Production Plan as an alternative to an agreement with the IMF—over the opposition of moderates. As Manley was moving increasingly leftward, the left received his support in their efforts. In a fiery 1976 speech condemning the IMF, for example, Manley announced that the government would “not accept anybody anywhere in the world telling us what to do in our own country. We are the masters in our house and in our house there shall be no other masters but ourselves. Above all, we are not for sale.”⁴²

Despite the leftist rhetoric and the efforts of the left to build an Emergency Production Plan, the “brutal realities” of Jamaica's situation and severe foreign exchange constraints convinced Manley that the Production Plan would not work. Manley argues that the prospect of a major collapse in the manufacturing sector of the economy, which would have resulted in 30,000 layoffs, played the crucial role in the decision.⁴³ Evidence suggests that Manley had held misgivings about the plan from its inception and had kept his

options open by sending a member of the moderate group to secretly negotiate with the IMF.⁴⁴ Manley kept this information confidential and did not inform certain key members of the left. At any rate, a lukewarm response from alternate sources of capital and the possibility for improved relations with a new Carter regime in the United States clinched Manley's mind in his decision to accept the IMF route.

A receptive Carter Administration and Manley's close personal friendship with Prime Ministers James Callaghan of Britain and Pierre Trudeau of Canada, initially led to the adoption of a relatively painless IMF agreement. The government's unexpected failure of the December 1977 performance test changed this, however, and after renewed negotiations with the fund, the government agreed to “one of the most savage packages ever imposed on any client government by the IMF” implemented a year later.⁴⁵

The move to the IMF signified the decline of the left and the rise of the moderates to the fore of the party. In 1977, Duncan resigned as party General-Secretary and as Minister of National Mobilisation, joined by other notable leftists in the ministry. For the next two years, the economy stagnated further as the IMF recipe failed to generate economic reform. With the deepening economic crisis, the left made a resurgence. The unstoppable exodus of the business class convinced Manley that his development strategy could not succeed without the alienation of certain class groups. He thus capitulated to the left-wing forces.

In 1978, the communist Worker's Party of Jamaica (WPJ) announced its plan to ally with the PNP and not offer candidates in the next general election. In the same year, Manley delivered probably his most biting anti-capitalist speech to the Non-Aligned Nations Summit in Havana. In September 1979, Duncan won an uncontested position for General-Secretary and thus resumed his active role within the party. Two months later, the government failed another IMF test which signaled even greater austerity for the future. In response, the national executive of the party voted by a significant majority to break with the IMF, a decision which was later accepted by the cabinet.

To prepare for this new path, Manley replaced the conservative Finance Minister Eric Bell with prominent leftist Hugh Small. Although the anti-IMF plan was extremely vague, the party took it to the Jamaican electorate, where it was rejected.

AN ECONOMIC EVALUATION OF DEMOCRATIC SOCIALISM

In many ways, the PNP continued in principle most of the economic policies started by the JLP during the preceding decade. Stone demonstrates that of the seven major economic programmes adopted by the JLP between 1962 and 1972, all were continued by the PNP with the exception of the industrialisation incentive scheme.⁴⁶ As demonstrated in chapter I, the economy experienced significant growth prior to the PNP's election in 1972. Between 1966 and 1972, real GDP in Jamaica grew at an average annual rate of 6.5%, the bauxite/alumina sector grew at 6%, and net international reserves of the Central Bank doubled.⁴⁷

Despite this impressive performance, the economy demonstrated certain signs of weakness. The economy was characterised by declining real output, an increasing current account deficit, unemployment of 23% (an increase from 13% in 1960), balance-of-payment surpluses dependent on capital inflows rather than export earnings, and an increasing share of banking sector credit going to the public sector. Between 1966 and 1971, the savings ratio to GDP declined from 14.7% to 11.7% and the current account deficit rose from 4% of GDP to 14%. Large capital inflows and a high investment rate were sufficient, however, to offset these problems. Despite clear signs of impending danger, the economy was not in crisis when the PNP assumed office in 1972.

The PNP intensified the import substitution programme started in the 1950's and, inspired by Keynesian fiscal expansionism, introduced numerous initiatives designed to increase state intervention in the economy. With the revenues from the bauxite production levy, the government created a capital development fund which it used to finance various state activities such as social service projects, employment programmes, and public ownership schemes. During the 1972-80 period, the ratio of central government expenditure to GDP averaged 36% per annum, which represented a 15 point increase over the 1966-70 period. The ratio of central government revenue to GDP averaged 24 percent per annum (a 6 point increase over the 1966-1970 period). As the economy worsened during the early 1970's, the government sought to alleviate the social effects of the crisis by increased expenditure rather than tackling the underlying structural problems.

In addition to an increase in taxes and the introduction of the

bauxite levy, the government relied on a variety of sources to finance state expansion. First, the government depleted foreign exchange reserves. Between 1971 and 1980, foreign exchange reserves declined from J\$132.2 million to J\$821.2 million, despite an increase in 1974 resulting from bauxite production levy inflows. Second, the government increased the printing of money. In 1972, the PNP started to print new money, accelerated the process in 1975 and 1976, temporarily halted it in 1977, but resumed printing in 1978. At its peak, the use of the printing press reached 63% in the financing of all government consumption expenditure and represented 13% of GDP financing.⁴⁸

Third, the government extended its reliance on domestic and international sources of credit. The Banking Law of 1977 expanded the capacity of the Central Bank to lend to the government and placed responsibility for that capacity under the Ministry of Finance. As such, between 1972 and 1980, domestic credit to the public sector increased by an average annual rate of 44.6% compared to an increase of only 18.5% to the private sector. During the 1970's, the government displaced the private sector as the primary recipient of domestic credit. In addition, the government increased external borrowing. Aid from commercial bank loans initially formed the bulk of the borrowing and peaked at 68% of total foreign debt in 1975. As the economy grew worse, loans became more difficult to obtain and subsequently, the government became more and more dependent on friendly governments for capital inflows. By 1980, intergovernment loans made up 41% of Jamaica's external debt, commercial bank loans formed 31%, and international institutions constituted 20%. Between 1972 and 1980, Jamaica's net external debt increased from J\$96 million to J\$1,545 million. In addition, Jamaica's foreign assets minus foreign liabilities as a percentage of GDP decreased from 8% in 1972 to -27% in 1980.

In addition to the growth of the public sector, the government also increased controls on the economy, including price and exchange rate controls as well as quantitative restrictions on imports. The PNP government used the Prices Commission and an Economic Stabilisation Commission to determine price policy and to guide wage tribunals. The government imposed an absolute import ceiling and placed restrictions on the importation of capital, intermediate, and consumer goods.⁴⁹ As a result of these restrictions, the volume of imports was 35% less in 1980 than its peak of 1972. The value of

merchandise imports increased significantly between 1972 and 1980 but the overall volume of imports declined during the same period. The government's ability to maintain a fairly strict control on imports (which the IMF included in its conditionality requirements) serves as one of the few examples of successful economic management by the PNP during the 1970's.

Table 3.2 Jamaica: Increases in GDP, Money Supply, and Domestic Credit 1972-80.

	GDP constant prices	GDP current prices	Domestic Credit		
			Total	Public Sector	Private Sector
1970	12.1	18.0	21.2	53.1	17.1
1971	2.9	9.3	39.9	100.0	27.9
1972	9.6	12.4	36.3	-4.6	46.9
1973	0.9	20.6	28.5	61.0	22.9
1974	-4.1	25.0	33.7	76.3	24.2
1975	-0.7	20.3	23.4	81.3	5.0
1976	-6.6	4.0	9.8	37.5	-5.5
1977	-1.6	10.0	27.3	37.3	19.4
1978	-0.3	25.6	19.3	22.3	16.6
1979	-2.0	12.8	30.0	43.2	18.1
1980	-5.4	10.3			

Source: Sharpley, *Jamaica 1972-80*, 134.

The government's exchange rate policy was based on the objective of reserving scarce foreign exchange for high-priority imports and for the servicing of the public sector's external debt. After its election victory in 1972, the PNP continued to peg the currency to the pound sterling, but in early 1973, the government tied the Jamaican dollar to the U.S. dollar at the rate of J\$1.00=US\$1.10. The government maintained a constant exchange rate—despite a devaluation in the US dollar in late 1973—until the government introduced a dual exchange rate in May 1977 as a part of the IMF agreement. Despite obvious disequilibria in the balance of payments, the government refused to devalue the dollar until 1977 largely because it feared the political repercussions associated with a rise in the cost of living, especially the increase in the domestic prices of imported food items.

A Critical Economic Evaluation of Democratic Socialism

During the 1970's, Jamaica suffered from rapid and sustained

economic deterioration. Massive declines in real GDP, investment, real wages, and foreign reserves contributed to a precipitous fall in the overall standard of living (table 3.3). Payne concludes that, for ordinary Jamaicans, "the reforms of the Manley government...produced a severe decline in living standards, worse unemployment, acute shortages of basic goods in the shops, and a mood of depression that pervaded the government's few achievements. Against this dismal background the government's few achievements in the social field and in foreign affairs cannot be said to count for much."⁵⁰

Economists and political analysts posit divergent theories to explain the economic crisis which Jamaica experienced during the 1970's. The explanations are not mutually exclusive and include (1) poor economic policies and mismanagement by the Manley government, (2) adverse world economic conditions and a hostile international environment, and (3) a structural argument that the nature of the Jamaican economy would have led to economic decline regardless of government policies.

This section will argue that negative international conditions did indeed affect the Jamaican economy, but that the policies of the Manley regime, particularly the government's failure to adjust to these external shocks, served as the major cause of the decline in the Jamaican economy. Although Jamaica suffered from structural dependence and an exceedingly open economy, policy measures could have been taken that would have mitigated these circumstances and contributed to economic growth.

International Circumstances and their Effect on the Jamaican Economy

External shocks negatively affected the economy during the 1970's. First, Jamaica suffered from a massive increase in prices associated with the international oil crisis. The rise in oil prices led to an unexpected 167% increase in Jamaica's fuel import bill in 1974 and a 600% increase in 1980, which moved fuel from 11% to 38% percent as a total value of imports in just seven years. Jamaica's nearly complete dependence on oil for energy exacerbated Jamaica's severe foreign exchange crisis.

Initially, the profits made from the bauxite production levy offset the increase in oil prices, but a decline in bauxite/alumina production reduced income from that source in the late 1970's. In 1972, bauxite and alumina provided the Jamaican economy with

nearly J\$194 million more in earnings than the total expenditure of energy and petroleum products. By 1979, this position had reversed, with the country spending approximately J\$60 million more on petroleum than it received from bauxite and alumina.

Table 3.3 Jamaica: Economic Indicators (1970-80)

	Growth of GDP	Fixed Capital Formation/ GDP	Consumption/ GDP	Unemployment Rate	Consumer Price Increase	Net Foreign Reserves J\$(million)	Net External Debt J\$(million)
1970	10.3	31.4	72.7	n.a	7.7	94.4	80.3
1971	2.5	27.8	75.0	n.a	5.3	131.1	82.0
1972	0.70	25.5	81.0	23.2	5.4	87.2	96.0
1973	-0.1	25.8	78.3	21.9	17.7	34.3	150.4
1974	-5.5	22.0	86.0	21.2	27.2	79.5	243.3
1975	-1.9	23.3	84.7	20.7	17.4	-10.8	353.0
1976	-7.7	16.6	90.6	22.4	9.9	-216.9	421.5
1977	-3.4	11.7	89.3	24.2	11.5	-246.0	452.4
1978	-0.7	13.3	83.6	24.5	34.9	-625.5	1138.4
1979	-2.9	17.4	82.7	27.8	28.8	-861.2	1290.8
1980	-6.5	14.5	86.6	27.3	27.0	-969.8	1544.9

All figures represent percentages unless otherwise indicated.

Source: Looney, *The Jamaican Economy in the 1980's*, 9 and Levitt, *The Origins and Consequences of Jamaica's Debt Crisis*, 12.

Second, a sharp rise in international real interest rates also impacted Jamaica negatively. During the 1960's and early 1970's, both the JLP and the PNP had borrowed from international financial institutions at low or negative interest rates and from commercial banks at relatively low interest rates. To finance its state expansion programme, the PNP government increased the level of short-term debt (under ten years) from 30% of all external debt in 1972 to 75% just four years later in 1976. Jamaica's extensive short-term debt requirement made the country particularly vulnerable to the rapid increase in interest rates which occurred in the international credit market during the mid-1970's. Real interest rates on Jamaica's external debt from international institutions averaged 3% annually between 1976-78, representing a substantial increase over the negative and low concessionary rates experienced in the previous decade. Commercial bank loan rates increased from 6-8% between 1969 and 1972 to rates of 12-18% during the late 1970's. This drastic increase in international interest rates multiplied the debt-service burden, which moved from 1.1% in 1972 to 7.0% in 1980 as a ratio of GDP.

Table 3.4 Gross External Debt by Type of Loan, 1971-80 (J\$million)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Market Loans	64.2	71.5	69.0	67.8	56.6	41.6	42.3	49.8	52.4	46.4
Commercial Banks	18.4	22.3	61.2	150.7	232.4	228.2	194.2	420.9	473.6	497.8
Multilateral										
Institutions	14.0	17.9	23.1	25.2	31.4	45.6	65.6	232.2	258.3	326.9
Bilateral	13.4	15.9	24.0	28.6	33.0	100.3	136.2	368.2	434.7	654.9
Other	-	-	-	-	28.3	29.3	46.4	109.1	123.3	68.6
Total	110.0	127.6	177.3	272.3	381.7	445.0	484.7	1180.2	1342.3	1594.6

Source: Manley, *Up the Down Escalator*, 289.

The economic recession in industrial countries hindered the growth of mining and tourism and, to a lesser extent, halted the penetration of Jamaican manufactures into these markets. The United States real per capita GNP grew at only 0.5% between 1975 and 1977, compared to an average annual growth rate of 5% in the ten years preceding this period. As such, American tourists spent less disposable income on travel, which partly explains the sudden and pronounced decrease in U.S. visitors to Jamaica. In mining, the recession in industrial countries contributed to a fall in the international demand for aluminum. Manley argues that "although the price of aluminum continued to rise, during [1974-75], the world market for alumina diminished. Thus, the aluminum industry contributed its share to the new economic phenomenon, stagflation."⁵¹ In addition, the growth rate of imports for industrial countries declined from 9% between 1963 and 1972 to 3.6% between 1973 and 1981. As businessmen left Jamaica, exports declined from 5.3% in the period 1963-72 to 1.4% in the years 1973-81.⁵²

An Evaluation of External, Domestic, and Structural Factors

International factors dealt a devastating blow to the Jamaican economy during the 1970's. These external shocks do not adequately explain, however, the massive economic decline which the country experienced during this period. While the world recession hurt the aluminum industry, the policy of the Jamaican government toward the bauxite/alumina companies played the critical role in the decline of the production and revenues in bauxite mining. Jamaica's bauxite levy increased the cost of alumina from Jamaica by US\$33 a ton. This increase led to a decrease in Jamaica's competitiveness, especially

since Jamaica's main competitors, Australia and Guinea, did not impose a bauxite levy, and later when Guinea did impose a levy, the rate was much lower. Mining firms thus had a strong economic incentive to shift their operations to other more hospitable nations, which most of them did.

In tourism, the actions of hotel owners and other entrepreneurs in the industry—to leave the country with large amounts of capital—played a significant role in the decline of visitors. Hoteliers left the nation in response to the increase in state activity, Manley's socialist rhetoric, and the resultant fall in visitors to the island. The negative image of the country portrayed in the United States media and the rapid increase in local violence also factored in reducing the number of visitors.

To examine the effects of the government's policies on the economy, we can compare Jamaica's performance to that of other nations with similar economic features. In comparison to five other Caribbean countries during this period, Jamaica performed significantly worse. Of six countries in the Caribbean—that all faced the same international circumstances in the 1970's—Jamaica fared the worse both in terms of real GDP per capita and in terms of per capita growth, even behind Haiti, the poorest country in the Western hemisphere (table 3.5).⁵³

Table 3.5 Caribbean Real Income and Growth Rates (1972-1981)

	Real GDP per capita 1981 Real GDP per capita 1972	Per capita growth rate (percent per year)
Bahamas	1.00	0
Barbados	1.16	1.6
Dominican Republic	.80	-2.7
Haiti	1.13	1.5
Jamaica	.62	-5.4
Trinidad and Tobago	1.30	4.3

Source: Connolly, "Comments on 'Liberalization to Centralization, and Back?'" 294.

While Jamaica experienced an export decline of 1.4% between 1973 and 1981, all other non-oil developing countries actually increased their exports during the same period by an average 5.9%. The world recession contributed to the rise in exports in these countries because they increased their market share in wealthy oil exporting countries and (those that had a high share of manufactures

in total exports) captured a larger share of the industrial countries' slow growing import value.⁵⁴

Moreover, although oil prices did increase during the 1970's, the price of many Jamaican commodities also increased substantially, including bananas, cocoa, coffee, sugar, and, most importantly, bauxite. Significantly, while export agriculture declined, Rao documents the impressive growth in domestic agriculture which grew by nearly 4% between 1972 and 1980.⁵⁵ Domestic agriculture increased as food imports dwindled; local farmers quickly moved to fill the demand.

Domestic factors also serve to explain the massive capital flight, large fiscal deficit, and low investment rates in this period. The perceived hostility of the government to the private sector and a lack of investment incentives convinced nearly 40% of the island's businessmen, medical personnel, craftsmen, and other skilled workers to flee the country taking with them large amounts of capital. As a result, numerous factories and small businesses were forced to close which exacerbated the unemployment situation.

Table 3.6 Jamaica: Public and Private Sector Expenditure 1973-77 (%)

	1973	1974	1975	1976	1977
<i>Consumption/GDP</i>					
Total	77.4	80.6	82.8	88.9	88.4
Private	61.4	63.5	64.5	66.5	66.3
Public	15.9	17.1	18.3	21.9	22.1
<i>Fixed capital formation/GDP</i>					
Total	25.9	22.1	23.2	16.5	11.6
Private	23.2	17.8	18.6	12.1	7.6
Public	2.7	3.5	4.7	4.3	3.9

Source: Sharpley, *Jamaica: 1972-80*, 135.

Government expenditure to make up for the private sector capital flight had a negative impact on the fiscal deficit which increased from 5% of GDP in 1972 to 18% in 1980 (see appendix D). In addition, the social programmes of the government which consumed almost all government expenditure contributed little to long-term investment. Table 3.6 demonstrates that most of the increase in public sector expenditure took the form of higher consumption, not investment. Moreover, while public investment

increased and private investment decreased, aggregate output declined. This meant that the government's economic strategy had the effect of replacing more productive private activities with less efficient public sector activities. This government emphasis on non-productive activity and the slowdown in exports also led to a significant change in the structure of incentives toward the production of nontradeable goods and services, which hindered long-term productive capacity.⁵⁶

Other domestic policies also had negative effects on the economy. The extension of minimum wage legislation and the national minimum wage caused the export-oriented garment industry to move to Haiti and other locations—clearly making worse the problems of unemployment and foreign exchange scarcity. In addition, these wage increases, coupled with expansionist fiscal and monetary policy, fueled the rapid inflation growth during this period. The maintenance of the fixed exchange rate until 1977 and the increase in wages also contributed to the decline in export production. Quantitative controls led to an overprotection of the manufacturing sector and an underprotection of agriculture since cheap food imports were encouraged. Bonnick argues that the result was the relative impoverishment of the agricultural sector and continued dependence on imported food with attendant vulnerability to international food price shifts.⁵⁷

On a positive note, Manley's social programmes resulted in significant gains including a decline in infant mortality and improved access to medical facilities (see social indicators in appendix E). In agriculture, domestic production increased during this period as local farmers filled the demand created by the reduction in imports. The reduction of imports created shortages that enticed many individuals to enter the informal economy. Between 1972 and 1980, self-employment and informal activity increased dramatically. Self-employment grew from 225,000 in 1972 to 300,000 in 1980—by far the largest increase among all occupational categories.

In sum, it is clear that much of Jamaica's economic crisis "was not so much the result of external factors (higher oil prices, declining terms of trade, world recession) as of domestic policies and structural factors affecting the demand for non-oil imports, the supply of exports, and net inflow of foreign finance."⁵⁸ Jamaica's structural dependence, high import content, and severe lack of foreign

exchange contributed to the island's economic woes, while the fiscal and monetary expansionism of the Manley regime only made the situation worse.

MANLEY AND THE IMF (1977-80)

Between 1977 and 1980, the government signed three major agreements with the IMF: a 1977 Stand-by agreement, a 1978 Extended Fund Facility, and a 1979 Extended Fund Facility. As early as 1973, the government had signed a brief Stand-by agreement with the Fund, but the IMF's economic constraints came into conflict with the government's political objectives, so the government discontinued the relationship.

The economic crisis became so bad during the next three years that by March of 1976, international commercial banks had ceased making new loans to Jamaica. After the 1976 election and in spite of serious economic decline, the government still avoided the IMF path and instead it started to prepare a "democratic socialist alternative" to the Fund, an Emergency Production Plan. The Production Plan emphasised "tight controls over foreign exchange outflows and imports, expansion of bauxite and tourism earnings, development of local agricultural production and small-scale activity to substitute for imports, and expanded trade with and assistance from the socialist countries."⁵⁹ For various reasons discussed earlier, Manley rejected the Plan and instead he reluctantly accepted a two-year Stand-by agreement with the fund in April 1977.

Table 3.7 Major Jamaica/IMF Agreements 1977-80

Date approved	Type of Agreement	Amount (in millions)
August 1977	Stand-By (24 months)	SDR 64
May 1978	Extended Fund Facility (three years)	SDR 200
June 1979*	Extended Fund Facility (two years)	SDR 33
	Supplementary Finance Facility	SDR 227

*In March 1980 the Jamaican government decided to discontinue negotiations for an interim Stand-by agreement.

Source: Sharpley, *Jamaica, 1972-80*, compiled from various tables.

The 1977 Agreement: Necessity and Austerity

Consistent with IMF monetary doctrine, the Fund analysed Jamaica's situation and concluded that the major causes of Jamaica's economic crisis were excessive demand, wages, and monetary expansion and an overvalued exchange rate. As such, in the agreement, the Fund required a devaluation (with a dual exchange rate), a tax increase, and a wage guideline, in a package that was not as severe as the Fund normally required. The Fund acceded to many of the Jamaican demands largely because Manley used his political friendships with the leaders of Britain and Canada, and his relationship with senior U.S. government officials, to bring pressure on the Fund.

The most austere aspect of the agreement centered around the Fund's requirement that all outstanding arrears in foreign payments were to be eliminated in three months and that the net foreign assets of the Bank of Jamaica were to be stabilised, in spite of the substantial increase which occurred in 1976. These conditions were nearly impossible considering the small size of the IMF loan but the Fund expected that Jamaica would receive a high level of external flows to make up for the deficit. In 1977, Jamaica received only one-quarter of the funds the IMF had expected and in December, the government failed the first quarterly performance test by exceeding the ceilings set on the Bank of Jamaica's net foreign assets, foreign arrears, and net domestic assets.

The 1978 Agreement: Economic Crisis and IMF Failure

In response to the failure of the test, the Fund immediately suspended the agreement and required new negotiations. For the new agreement in 1978, the IMF required an extremely austere plan—described as “unnecessarily harsh and socially unacceptable” by the political directorate—but which the Fund felt was necessary to bring the economic crisis to a halt.⁶⁰ Essentially, the agreement called for a switch in resources from the public-sector towards the private sector, from consumption to investment, and from reliance on administered controls to the greater use of domestic market forces. Import controls were to retain a central role in balance of payments policy during the first year of the programme.

Because this agreement was an Extended Fund Facility and thus involved a larger loan than the Stand-by agreement, the Fund played a more active role in mobilising the additional external financing

required for the agreement to succeed. Although the Fund succeeded in this objective, the package still failed to provide adequate financial support for the strict measures necessitated by the Fund. Although the government carried out every single aspect of the 1978 agreement in both letter and spirit, the economy never recovered. Jamaica's dependence on foreign resources and the failure to achieve high external financing contributed to the further decline in the economy and thus the IMF was forced to admit some error in its policies, assumptions, and projections.⁶¹

The 1979 Agreement: Political Constraints and Negotiation Breakdown

In 1979, the government and the Fund renegotiated the contract in response to the dismal performance of the 1978 agreement. In the new agreement, the Fund expanded the adjustment process period, suspended monthly currency depreciations, and revised targets to permit higher fiscal deficit and current account deficit targets. The Fund allowed the government to use a new Supplementary Financing Facility (SFF) to increase lending in an effort to substitute for commercial bank inflows normally expected by the government. The IMF did this because it wanted to improve foreign and local investor confidence and to finance the additional imports necessary for increased production.

In the next two years, the government suffered from a series of external shocks such as higher oil prices, a disastrous hurricane, and increased interest rates. These factors, as well as the government's inability to reduce spending, contributed to the failure of the test in December 1979. In the new negotiations, the government felt that the IMF requirements—a further wage squeeze, cutbacks in social programmes, and a massive reduction in government employees—were politically suicidal and thus it decided to break with the IMF. Although the government still remained a member of the Fund and continued to make repayments, it failed to sign a new agreement. After its electoral victory in 1980 over the PNP, the JLP quickly signed a new agreement with the Fund which provided for a massive influx of funds which totaled over three times that allowed in the 1979 agreement under Manley.

Manley and the IMF: An Evaluation

The PNP government's relationship with the Fund during 1977/80 highlights several important issues. First, the IMF's consistent

application of pro-market measures constituted an ideology that was incompatible with the democratic socialist path of the Manley regime. The large sum and favourable conditions attached to Seaga's first IMF agreement support the contention that an ideological conviction consistent with the Fund's approach clearly facilitates positive agreement negotiations.

Second, the various agreements (especially the 1978 agreement) made clear Jamaica's essential economic dilemma. If economic reform had to take the form of structural adjustment and stabilisation as prescribed by the IMF, this could only succeed with massive capital inflows which increase external debt financing, drives up debt-service payments, and restricts funds necessary for structural adjustment to succeed—the very first objective. To resolve the vicious cycle, either debt constraints have to be reduced or capital inflows have to come from other sources, such as major private investment.

On the positive side, the IMF's relationship with Manley demonstrated elements of the Fund's flexibility in responding to political factors. The view of the IMF as imposing rigid blueprints regardless of political consequence has little validity in the Jamaican situation. The IMF initially accepted many of Manley's politically-based demands which resulted in a fairly innocuous 1977 agreement. On the other hand, the IMF's refusal to budge on certain items led to the break with the Fund in 1980.

Finally, the PNP/IMF relationship demonstrated that no matter how favourable agreements are with the Fund, this cannot compensate for the necessity of a committed government attitude toward the encouragement of foreign investment. In 1979, democratic socialist Jamaica was the largest recipient of IMF aid per capita in the world. Despite these inflows, the government was unable to increase investment or investor confidence in any substantial way. As we will see these issues became very important over the next nine years under Seaga and again later under Manley.

CHAPTER 4

THE POLITICS OF STRUCTURAL ADJUSTMENT (1980-1989)

And Joshua and all Israel were beaten before them and they fled by the way of the wilderness.

—Joshua 8:15

Michael Manley lost the 1980 election to the JLP headed by Edward Seaga, who ruled for eight years. Over this period, Seaga returned the economy to a growth path, expanded tourism and non-traditional exports, and succeeded in holding down inflation and the public sector deficit. He did so, however, by increasing Jamaica's debt burden to crisis proportions. By 1988, the government had borrowed so much that it was paying more money to the IMF and the World Bank than it was receiving in new loans. This created extremely tight resource constraints which later had a major impact on Manley's transformation. Under Seaga, productivity remained at levels below those achieved in the 1970's, the trade deficit escalated with the sharp rise in imports, and income inequality increased substantially. Although Jamaica suffered from the sharp decline of the bauxite/alumina industry and the world recession between 1980 and 1983, these negative factors were largely offset by the oil windfall in the late 1980's.

Seaga implemented only parts of the structural adjustment agenda and he did so in a manner which seemed driven more by political rather than economic motives. Seaga's development strategy indicated the continuation of populist policies oriented more to short-term political objectives and less to economic development over the medium to long term. In order to mitigate the negative effects of the structural programme, Seaga convinced the IMF and World Bank to postpone the major components of the strategy for over three years. Pressure from the international financial community increased, however, and between 1983 and 1986, Seaga implemented the bulk of the structural adjustment plan. If he had been more committed to the structural adjustment agenda and had not postponed the reforms, he would not have had to introduce the austere measures all at once. Had he acted earlier, Seaga might have prevented the massive riots and strikes which resulted from the