

Letter from Jamaica, number 13

Jamaica's economy: the "Jamaican Jaguar" or the "Jamaican Dead Donkey"?

Jamaica's economy has had me puzzled for many a year. I'm oft inclined to think of Churchill's description of Russia: "It is a riddle, wrapped in a mystery, inside an enigma". So many strengths. So much potential. Quite a few success stories. And yet, forty years of near-stagnation. Nay, stagflation. The Government now has its latest reform plan. But, is more needed? More from me and you, perhaps? From all of us with the right to live here must come the responsibility to all, not just to ourselves and perhaps our family? And responsibility to the land we love? We shall see.

The strengths and potential are easy to describe. Loads of tourists from north America and many other places. An on-going need for bauxite to make aluminium. In the more modern era, a fast increasing Business Process Operations (BPO) sector, along with a fast growing ICT sector. Especially around the Montego Bay Free Zone. Then there are iconic products, like Blue Mountain coffee and Jamaican ginger. Iconic scenes aplenty. And, of course, iconic legends in Bob Marley & Usain Bolt, along with the likes of Jimmy Cliff.



The economy was strong, perhaps very strong, in the 1960s. So strong that the Jamaican dollar started at parity with the American dollar. And then by the early 1970s was actually better than parity. Real average growth in the economy (GDP) has been a near half-decent 1.6% per year from 1962 to 2012. But, crucially, only 0.8% per annum in the forty years from 1972. So, pretty strong growth in the first decade of Independence, followed by much more feeble growth thereafter.

Oft-growing imports and oft-declining exports have meant an oft-weakening balance of payments. Especially with weakening Foreign Direct Investment (FDI). So, a seemingly ever-weakening dollar. And seemingly ever-growing debt. Indeed, public debt as a share of GDP has not been below 90% for 37 of the last 43 years. The UK & USA have agonised for the last 5 years about their risks of getting beyond 90%, if only briefly after the worst recession in 80 years. Yet after two attempts to re-structure Jamaica's public finances in the last three years, the debt to GDP ratio stands at 143%!



Okay, you may say, we all know about the economy, stupid! Why can't he get over it? Move on! Well, to move on we really need to know why the decline happened. Why such a long-lived fall from grace? How to build for the future?

The massive government debts started during the worldwide tough decade that was the 1970s. High inflation, led by oil and commodity prices. At the same time, Jamaica (like Britain and some other places) faced some very tough industrial disputes, weakening exports. Cheap garments from the Indian sub-continent and Asia saw thousands of Jamaican jobs at risk. As also in places like Lancashire, England, and in parts of America. Other products were threatened, not least sugar cane, which was nationalised in the 1970s, adding somewhat to national debt, along with other nationalisations. At the same time, attempts at social improvement and protection were strong government priorities in Jamaica. Falling foreign direct investment exacerbated matters as the influence of gangs in politics and elsewhere became more apparent.

These and other factors contributed to an abysmal productivity record since the 1970s. Productivity is all about how much we as a country produce per minute or per year. For the last 30 years, Jamaica's average annual change has been -1.3%. Minus! Negative! Falling! Across thirty years! Compounding all those years together and we see productivity some two-thirds below where it would have been if we had retained the early 1970s level. Such a waste! Most other countries have advanced, through effective investment in education, skills, management and physical capital. Most other countries would have left Jamaica far behind even if it had simply maintained 1970's productivity level.



There may, indeed, be the odd country with a similar productivity track record. It's hard to imagine where they might be. Parts of the old Soviet Union perhaps? Without positive productivity growth, running the economy and running individual businesses is like driving up a hill with the hand-brake firmly on!

Comparing Jamaica's economic growth to other countries' growth reveals a lot. Across the 50 years from 1962, virtually all countries grew faster than Jamaica. A near doubling (96.5%) in the real size of the island's economy may sound a lot to some; but across 50 years it certainly is far too little.

Zimbabwe's total percentage growth was twice that of Jamaica's, as also was Barbados'. The UK saw rather more than twice the growth of Jamaica, despite already being an advanced industrial country. Helped by oil, Trinidad and Tobago grew by more than 300% and Venezuela by almost that amount. Despite losing lots of its population to migration, Bangladesh's economy expanded by five-and-a-half times more than Jamaica's. And then there is Singapore. In 1962 its population was a little smaller than Jamaica's, its land area only a fifteenth the size and its GDP roughly the same. But its population is now double Jamaica's. And its economy expanded to stand 40 times larger.

Other "structural" problems hold us back. The labour market remains too inflexible. In places like America and Europe, many jobs created in the last 25 years are part-time and of varying hours. Some workers welcome this, as they appreciate the flexibility to do other things. Many employers welcome the potential for flexibility. But perhaps too many non-domestic jobs in Jamaica have been and remain of the 9-5 type.

Management can also be too inflexible. Only a few years ago, I walked round a large hardware store in Spanish Town, putting lots of quality goods in the trolley. But on reaching the pay desk, I was asked to return tomorrow as the till was closed, exactly on 5pm! Think of the warnings and coaxing that the tanoys give in America and England before the tills close. Staff on the tills will often be processing goods twenty or more minutes after official closing. Anyway, I went to a different store the following day – and early!



Another structural constraint has been over-reliance on the big three – bauxite, tourists and agriculture. The first two can be enormously problematic during world downturns, rapidly reducing foreign income, weakening the balance of payments and probably adding to debt.

High rates of tax on capital imports and on company profits have contributed to less foreign investment and slower growth of business.

Growth in state spending from the early 1970s occurred alongside increasing hostility to the paying of tax. The result: mushrooming public debt. Even today, we rank very near the bottom of the world tax-paying league: 168th out of 189 countries examined. A truly appalling state of affairs!

Of course, persons say they try not to pay taxes owing to life in Jamaica being so tough, even for small to medium business persons. But if we want to pull together to make a Jamaican Jaguar akin to the Asian Tigers, this is one issue we must all think about very carefully. Otherwise, we seriously increase the risk of the Jamaican Dead Donkey syndrome, where debt default, currency crisis and escalating prices lead even more of our energetic persons to move to or stay in foreign.

In parallel, many persons looking to reduce their tax will tend to keep their money away from banks and other financial organisations. The result? Well, it helps to explain the rather limited funds from domestic investors available for a host of major investment options. Many such projects are capable of delivering good, if not very good, returns. From the big projects like cheaper electricity plant to the north-south toll road. And a whole gamut of smaller projects. But money under the bed earns nothing beyond the attention of the cockroach and its like.

Arguably, we have all done too little to exploit our natural resources. Blue Mountain coffee is world famous and sells at a good premium, especially in top-end stores, like Macey's, Harrods and Fortnum and Mason. But surely we could have expanded output rather more and still made good money, with more jobs? Even now, little is made of the Blue Mountain itself as a tourist spot. Yet Kingston Harbour from 17 miles away high up in the mountain offers a truly breath-taking scene, whatever the mist or clear-blue vision.

The Windsor Caves near Sherwood Content offers unusual potential, at least for Jamaica. Yet the conditions under-foot and the general lack of any sort of convenience make the experience memorable for the wrong reasons. I once accompanied some Polish tourists, now working in America, who not only had bigger caves back home but ones with decent facilities and easier walking conditions. Similarly, some of the visits from hotels to see the growing of cocoa, coffee and other crops could be far more interesting – and more profitable for locals. The main spas are held in high esteem but are unlikely to attract many tourists, with limited facilities and often difficult roads. More fundamentally, perhaps, surely we could have done more with the coast, beyond a near never-ending series of hotels? Surely more could have been made of other hills and waterfalls? And perhaps even better facilities at Dunn's River Falls?

Social change has also had serious impacts for the economy. Perhaps fuelled by endless American television channels and their advertisements, we have become much more of a “wanty-wanty” consumer society. Many persons “must” go to the shops wearing the latest fashion. Even while feeding their pickney on little more than crackers, chicken back and soda. Cell phones have offered great benefits to most persons, not least through new banking and

money transfer opportunities. But, of course, many are always after the latest model.

For many, remittances “from foreign” have enabled if not encouraged the “wanty-wanty” society. While, of course, enabling many to eat at least a little protein. Think what the economy would be like if a tenth of GDP did not materialise from USA remittances alone. Add in those from Canada and Britain and perhaps a seventh of our GDP comes from those of us living or working abroad. If only some of those quite-well skilled, more entrepreneurial, many younger, many retired could work or live at home, there might at least be more help for the Government in paying down the debt and investing in projects vital to all our futures.

So, Jamaica’s economy has had a tough time. No question. More or less for forty years. Only a few countries have been consistently worse-off. And I haven’t even mentioned consistently high price inflation and high interest rates. Nor high unemployment, officially over 16% and rising. Nor crime nor corruption nor murder rates. Nor even customer service, except fleetingly.

What of the future? Is there a future? Jamaican Jaguar, like the Asian Tigers? Like the Irish economy, 75 years or so after Independence, before the recent bust? Or, more like a dead donkey?

Well, this year the Government is vigorously implementing tough new economic reforms. The Medium Term Economic Plan (MTEP). Tax-raising and expenditure-cutting are aimed at getting debt-to-GDP below 96% by 2020. And keeping it there. Structural reforms should help lift GDP growth. The current Fiscal Incentives Act is seen by many as the most significant reform of business taxation for 30 years, cutting red tape and boosting competitiveness along the way. Even greater flexibility for the dollar is likely to hurt the dollar in your pocket, but could help to slow imports and hasten exports. Greater social stability is another worthy aim of the MTEP, if only real progress can be realised. The new-ish head of police, Commissioner Ellington, has started vigorously, seeing 400 low-performing officers removed from post already. Improving the business environment will be helped, not least by the tax reforms. Greater foreign direct investment may then follow.

The MTEP is linked to a US\$2 billion package arranged via the International Monetary Fund. Even with that package and the reforms that have already started, the Financial Times recently reported Finance Minister Peter Phillips

as saying that the risks from unanticipated shocks are such that a tropical storm could be sufficient to disrupt the conditions of the bailout package.

The reform package is all very laudable. And vital to structural change. We can only hope that the Government does not face a serious storm for a year or two. And, moreso, that it can achieve real progress this time around.

Personally, I would put up tax on road fuel by even more than has already happened. For any country, this is a very efficient revenue-raiser as it's hard to avoid or evade. Of course, it makes life more difficult in the short-term, both for car, taxi and bus operators, and the passenger . But the Government can choose to use some of the revenue to compensate some of the losers.

The private sector has been showing some good signs. Digicel has invested heavily in its new Downtown HQ, albeit with tax and other government incentives. Much like many of the BPO/ICT investments in the Montego Bay Free Zone – and, indeed, much like investments at London's Canary Wharf, driven by long-ago enterprise zone status.



New, much more modern and higher quality shopping outlets are emerging, like MegaMart's latest store, in Mandeville. And Kingston's Devon House now has one of the few, good quality wine bars, in Bin 26 (pictured above).

More will be needed, however. There remains serious under-performance by too many at school, not least in the basics. At least an eighth of students leave school with no CXC's and only about 35% leave with five or more grades 1 - 3. At least that reflects good progress from 1997 when the figure for five good passes was 17.6%. For comparison, 58% gained five or more A*-C grades at GCSE in England in 2011, up from 46% in 1998.

More and better training in practical and professional skills is vital. A JNBS job satisfaction survey recently found that many persons remain for years in low-skilled jobs, like fast-food outlets offer, because so many don't improve their skills. The result: greater job dissatisfaction.

Perhaps worse still, the economy is showing signs of chronic shortages emerging in skilled sectors like mechanical engineering and heavy plant operation. If the manufacturing sector continues to shrink, more skilled engineers will move to work in North America. Already we have seen a recent worrying move of engineers and crane operators from Kingston docks to Canada.



Yet the Government is severely cash-strapped, for years to come. Maybe a little of my extra fuel tax could be well spent on education and training. And on

fixing the roads. Both are absolutely vital to lifting the awful productivity performance. Just think how much time is wasted crawling through enormous potholes or going up Mount Rosser behind a truck. Just think how much more marginalised you are if you can't read and write in the internet age.

Those of us at home and abroad who truly love Jamaica carry the heavy responsibility of acting today or passively watching the old donkey die. We do have the right to live, work and visit the old country. To make money here – and there are many opportunities so to do. Also, to educate our children here – or to watch our grandchildren grow, from nearby or from afar. To enjoy the weather, the environment, the sea, the land, the air, the people, the culture. And much more.

But don't we also need to recognise our deep responsibility? To the present? And to the future? To the future of Jamaica? A future that is seriously at risk. We can each determine whether the rocky road and clouds continue forever; or whether it's blue skies ahead.



Don't managers and workers both need to strive harder to improve their methods, their attitudes, their customer service, their flexibility, their skill base, their creativity? Don't more of us need to trust each other a deal more?

Don't we need to be a little less self-centred? And don't many of us need to think a little more about how we affect others and how that bears on Jamaica? Whether at work, on the road, in the queue, walking in the street? Surely we need real respect for others, not prolific mouthing of "respect!" as a disposable platitude? More respect of, and from, the police and security services also.

In parallel, don't those with a little money need to put rather less of it under the bed? Pay your fair dues in tax instead of trying to steal a march on everyone else? Invest some of the money in profitable and worthwhile projects that benefit the many, the whole country?

A total pipe-dream, you may say? But what was it that President Kennedy said just before our Independence: "...ask not what your country can do for you, ask what you can do for your country." The words hold true today, across the world. But perhaps even moreso in Jamaica.

Those of our brethren living "in foreign" could also do much more for the old country. At least many of us could keep in touch with younger generations of our own family growing up here. Perhaps pay for extra schooling? Perhaps pay more towards books and school uniform? Bespoke Homes Jamaica has seen its Saturday School pupils in Trelawny progress well; you too could make a difference.

Some (many?) of us could invest some savings in Jamaica, beyond sending remittances. There are plenty of opportunities already for profitable investments. But perhaps the Government needs to do more to encourage those of us living abroad? For example, the Government or the private sector could choose to encourage Jamaicans living abroad to spend extended time visiting Jamaica. Especially those retired from full-time work. Perhaps through, say, 3- or 4-month property rentals? Or time-share? Or through small communities specifically designed for older persons to rent or buy?

A "diaspora bond" is oft muted as a savings/investment vehicle that could contribute toward those and other opportunities. Yet despite the potential benefits, the potential difficulties always seem to win out! The diaspora bond never seems to get off the drawing board.

And yet. Only a few months ago the Jamaica National Foundation and the Jamaica National Small Business Loans company launched what sounds like a great idea. As the website www.isupportjamaica.com says: "I SUPPORT

JAMAICA ...seeks to provide an easy and creative way for Jamaicans in the diaspora and elsewhere and friends of Jamaica to provide financial support to projects, both microenterprise and non-profit.” They need many more of us to send a few dollars or a few pounds. Just a few will go a very long way. For some persons it will be the only way for them to learn to fish instead of being given the occasional fish to eat from remittances or from begging.

I could go on and on, with obstacles and solutions! I have mentioned much potential in Jamaica. And there is much, much more. There are many great strengths. After all, it’s a country that ranks very highly as a place to start a business. At 23rd out of 189 countries worldwide, you can’t ask for much more. So much potential. So many massively high achievers already. Joined in mid December by Tessanne Chin, winner of America's The Voice Trophy 2013. But so many, many not achieving much of their potential. Because they need just a little more help, whether financial or encouragement to carry on.

So, what’s stopping you? Let’s all stand up for Jamaica. Do our bit. Connect our responsibilities to our Jamaican rights. Ensure that the future really can be the Jamaican Jaguar.

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Source material

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Productivity figures: from Ian Boyne’s article of 12 December 2012, Gleaner.

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JNBS workforce survey: Gary Spaulding article, 4 December 2013, The Gleaner