

## Jamaica and the IMF: A Never-ending Story

Written by Peter Clegg

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# Jamaica and the IMF: A Never-ending Story

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PETER CLEGG, MAR 6 2016

As part of the International Development module in the Politics and IR programme at UWE we consider the position of small states, and we have recently focused on Jamaica. The story of the country's efforts to plot a successful path to development is very interesting and highlights the serious constraints that have hindered its progress.

Our focal point in class was the period of the 1970s and 1980s when Jamaica witnessed great contrasts in policy-making. The disappointment in the late 1960s that political independence (achieved in 1962) had not brought about real economic improvement was clearly apparent in many sectors of society – the most obvious outcome of this was the Kingston riots in 1968. Poverty, growing income inequality, illiteracy, poor housing and unemployment were prevalent. In an effort to address these problems, Michael Manley the newly elected leader of the People's National Party (PNP) promised a different course for Jamaica, based on a more pro-active role for the state, social reform, and the creation of participatory politics.

Significant changes were made in relation to widening educational opportunities for all, nationalising several key industries, increasing the revenue from the all-important bauxite industry, improving the legal position of employees, enhancing the rights of women, and creating work programmes to relieve unemployment. However, Manley's sometimes harsh rhetoric around his programme of 'Democratic Socialism', his close relations with Cuba's Fidel Castro, the steep rise in oil prices and the growing levels of violence all damaged his reform efforts. In the end with the economy in recession, unemployment increasing, the balance of trade deficit widening, and debt growing rapidly, Manley was forced to turn to the IMF. However, just prior to the 1980 election the government ended its ties to the Fund – the reforms were considered to be too harsh on the people.

Nevertheless, when the election came the opposition Jamaica Labour Party (JLP) led by Edward Seaga won a convincing victory and was determined to re-engage with the IMF; and this is what happened. The socialist rhetoric was ditched and Jamaica's relationship with the US improved significantly. It was hoped that this would provide the backdrop to a more fruitful partnership with the IMF, and at first this appeared to be the case. However, the reality of structural adjustment and trade liberalisation began to once again negatively impact on the people – and a general strike was called in 1987. Later, under the JLP's fourth IMF programme, the economy performed a little better, but that had much to do with the more favourable international economic conditions and a more expansionary economic policy in the build-up to the 1989 election. However, Manley and the PNP returned to power, but this time they followed the same economic orthodoxy as under Seaga.

Despite Jamaica having little choice but to go to the IMF, the policy prescription could not work for such a structurally dependent economy. Further, both Manley and Seaga were caught between a rock and a hard place – between the needs of the people on the one hand and the pressure of liberal economics on the other. As we looked back at these events and assessed the respective performance of the Manley and Seaga eras, discussion turned to the recent general election held on 25 February.

What had changed in Jamaica during the intervening period? Well, perhaps not very much at all. An IMF programme is in place, the economy is anaemic, debts are very high, and the people are impatient. Perhaps the most noteworthy change was that the JLP was now calling for more expansive policies – and on that pledge it won the election. However, the new government's room for manoeuvre is as tight as ever. IMF support is needed to keep the economy

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solvent, but the reforms do little to bring about real change for the Jamaican people and economy. There is also little chance of a return of the more reformist policies seen under Manley and thus Jamaica and the IMF will continue to be a never-ending story.

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