

Preface

The Jamaican economy has exhibited a striking and well-documented historical pattern of underperformance in terms of overall growth since the 1970s, despite an evident capacity to generate limited expansion in short spurts based on achievements in particular economic sectors and products. This chronic pattern of underperformance has left in its wake a high level of public debt, unemployment, deterioration in physical infrastructure and in the delivery of social services (such as health, education and the justice system). These inherited conditions underpin significant and persistent levels of poverty as well as the continued existence of marginalized, vulnerable, and volatile communities throughout the country.

The issue of how to achieve sustainable economic growth with social equity therefore remains today as a matter of primary concern. It is central to any consideration of policy and action to address the host of economic and social problems that the country now faces.

This report presents results of the PIOJ's analysis of this issue and specific proposals following therefrom for a strategy to induce economic growth in the short and medium term and in the particular context of the economic situation prevailing today.

The analytical and strategic foundation of the growth-inducement strategy rests fundamentally on our finding that Jamaica's weak performance in terms of economic growth can be explained as the direct consequence of specific, identifiable, and quantifiable conditions operating in the economy and through the process of capital investment. In particular, these conditions are:

- the chronic state of fiscal imbalance
- underutilization of productive capacity
- economic waste of capital
- concentration of capital investment in highly capital-intensive sectors and economic enclaves.

These conditions, in turn, are associated with a number of dysfunctional pathologies and systemic constraints, operating as both cause and effect in a complex mutual interaction with the investment process. At the top of this list, as determined by our assessment based on world-wide surveys done by international agencies, are the following factors:

- crime and violence
- corruption
- taxation
- supply of electricity
- finance, and
- macroeconomic instability.

They represent supply-side factors in the business environment ("external" to firms) which have a significant effect in terms of the cost, risk and uncertainty of business activity.

Other relevant supply-side factors include:

- bureaucracy and regulation
- quality of the labor force,
- quality of infrastructure and
- the foreign trade regime.

Factors related to the "internal" operations of firms, individually or collectively within industries, include:

- intensity of competition,
- financial market development,
- technological readiness,
- business sophistication,
- capacity for innovation.

Viewed from the standpoint of investment and growth, these constraints are considered here to be crucial because, taken together, they determine the prevailing low level (on average) of international competitiveness of the Jamaican economy. They serve, therefore, to limit the capacity of Jamaica-based firms to respond to competitive pressures emanating from the global economy. To this extent, they constitute a key priority for any policy that seeks to address the problem of economic growth and development in the Jamaican economy.

Transforming the complex set of structural and behavioural conditions described here constitutes the fundamental challenge that Jamaica faces at this time. This is the challenge that must be overcome in order to set the country firmly and effectively on a dynamic path to sustained growth with social equity.

The totality and complexity of the conditions involved dictate the need for a coordinated, integrated and holistic approach to designing and implementing economic policy. There is no quick fix or one-shot solution. No single investment project, no matter how "big", taken by itself, will do. No arbitrary package of incentives, waivers and stimulus will do. The essential shortcoming of such measures, basically designed to compensate for lack of international competitiveness, is that they leave undisturbed, and perhaps serve to reinforce, the prevailing low level of international competitiveness in the economy. Any spurt of growth achieved under such conditions is necessarily limited and unsustainable.

The proposals presented in this report follow from this basic understanding of the Jamaican growth problematic. They constitute a sharply focused and highly structured strategy and corresponding program of actions designed to be implemented in a time-phased manner so as to achieve a turnaround in the economy and build a platform for long-term growth and development. As such, they represent the essential requirements

for making a determined start on the road to self-sustained growth with social equity in Jamaica.

Because of limited resources, everything cannot be done at once. Therefore, the strategy seeks to focus resources and action at those points which are identified as critical to releasing binding constraints and capable of yielding demonstrable and significant results in a short and medium-term context. It also calls for forceful leadership and exercise of political will

We were not called upon to construct a comprehensive plan for long-term development of the Jamaican economy. However, a detailed road map for such a plan is laid out in *Vision 2030 Jamaica, National Development Plan*. The specific proposals presented here aim to provide a practical vehicle to carry forward that Plan in the short and medium term.

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