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PUBLIC AFFAIRS - Economic double standards

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File photos
LEFT: When Omar Davies left the Ministry of Finance in 2007, the primary surplus was 8.2 per cent.
RIGHT: "Shaw should be laid off for the revenue debacle before other public-sector workers."

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When jackass proclaimed that the world was not level, he knew what he was talking about. While Minister Don Wehby went off to the International Monetary Fund (IMF), the Government let slip the shocking news that we had a revenue shortfall of $2.47 billion for May.

Under Audley Shaw, it would appear that the primary surplus has vanished without a trace. When Omar Davies left the Ministry of Finance in 2007, the primary surplus was 8.2 per cent. If Shaw is not to be laid off for this debacle, then it is even more unfair to lay off a single public-sector worker.

We must also stop babbling nonsense about "self-imposed conditionalities".

Another example of double standards: did you know that these IMF and World Bank officials who run around the world mumbling about 'protecting the vulnerable' while inflicting taxation and austerity pain on poor Third-World countries, all enjoy tax-free salaries of hundreds of thousand of United States (US) dollars themselves? I wonder how they would feel if handed a pink slip. We should downsize them with a dose of their own medicine and see how they like it. After all, are they not the international branch of the public sector, which they are always attacking?

Deficit spending

A third example of double standards: All the developed economies are stimulating their economies and expanding their budget deficits, not contracting them. This is true for the US, whose deficit is now ahead of ours, heading to 10 per cent and expected to end up at about 12 per cent. The United Kingdom's budget deficit for calendar year 2008 was 5.4 per cent of gross domestic product (GDP). Faced with this huge deficit, which, of course, breached the legal limits of the Maastrict Treaty, what did the United Kingdom (UK) do? Did the British take on any IMF or World Bank nonsense about neoliberal austerity? On the contrary, good Keynesians that they are, they embarked on some serious money printing, aka 'quantitative easing.' In May 2009 alone, the UK budget deficit rose to £17.5 billion. This was a solid 65 per cent above what it was in May 2008. Impressive stuff!

France, of course, was not to be outdone by the Anglo-Saxons. As the **New York Times** recently reported, France is in the midst of a US$37 billion stimulus. Make-work projects of every description dot the landscape. The famous 800-year-old palace at Fontainebleau is being restored, along with 50 chateaux and 75 cathedrals, inclu-ding Notre Dame. In Paris, the French are spending a 100 million euros stimulus on cultural projects alone, or over 12 billion Jamaican dollars. In 2008, the French budget deficit was 3.4 per cent of GDP. Since the crisis, their deficit for 2009 is projected to come in at between seven per cent and 7.5 per cent.

One could go on and on. Germany is spending 50 billion euros on its stimulus. Our Spanish friends are projecting a budget deficit of 8.1 per cent for 2009. Their stimulus package was 11 billion euros, or roughly about twice the size of the entire Jamaican economy. Australia has had two rounds of stimulus so far - US$6.8 billion in October 2008, followed by an additional US$27 billion in February 2009. Sweden's stimulus was 2.2 billion euros.

The only reasonable conclusion to be drawn from this is that double standards dominate global economic policy. The 'fryas' of the developing world get crocodile tears about 'protecting the vulnerable'. Developed countries on the other hand, get hard cash. The main result of the G20 meeting in London in April was not any concessionary assistance to the developing world. The main point was to help the Eastern European economies. This is part of Germany's *Grossraum* - their political and economic backyard. So, they too, got cash. We got lectures about 'macro-economic stability' and 'good governance'. Good governance!

Keynesian economics

Have you ever examined how the IMF and World Bank are governed? A second G20 meeting is to be held in Pittsburgh this coming September. What are Third-World countries doing to ensure that this farce is not repeated?

Although there is a lot of talk about 'the return of the master', referring to the economic theories of John Maynard Keynes - possibly the greatest economist ever - it is clear that this is more talk than reality. What is really going on is that bits and pieces of Keynesian stimulus policies are being opportunistically adopted, while the basic theoretical framework remains the neoliberal one of the Washington Consensus. It was Keynes who shattered the neoliberal dogmas of the 1930s and laid the foundation for the recovery from the Great Depression of 1929.

It was Keynesian deficit spending which created the global post-war economic prosperity which we experienced in Jamaica during the Norman Manley period, and in the immediate post-colonial period. It is neoliberalism - beginning with the US abandonment of the gold standard in 1971 - which has brought us disaster, including the present global crash.

Keynes argued forcefully that to pursue austerity in a severe recession would intensify the crisis and produce total economic collapse. Instead, what was needed was an expansion, not a contraction. Leave restructuring for a period of prosperity when the immediate crisis had passed. Keynes proved to be absolutely right and all the neoliberals of the day proved to be wrong, as they are being proved wrong again today. At Bretton Woods in 1944, Keynes argued that when a country became indebted, it should be the lender countries, not the debtor ones, who should structurally adjust. But the US delegation vetoed that one.

Keynes should be made compulsory reading for all Jamaicans interested in our economic problems.

Yes, the Jamaican economy has huge imbalances, which we must correct. But the cause of our immediate problem is not the imbalances of the Jamaican economy, but the global economic meltdown. The conditionalities of the IMF must help us to address the very real problems flowing from the closure of three bauxite plants and the decline of tourism receipts and remittances. If instead they dogmatically compel us to lay off thousands of public-sector workers and chop the free health care and education, guess what? All the basic problems of the Jamaican economy will not only remain, they probably will get worse.

Our chief problems are low productivity and the high cost of doing business. This first has to do with deep weaknesses in our education and training systems, while the second has to do with our energy inefficiencies. Our problem is not lack of investment. We got record investment in tourism when we had all the macro-economic problems we have now. The problem was converting this investment to GDP growth. The standard IMF conditionalities have zero bearing on the problems we face, and will certainly make our situation worse.

Low productivity and inefficiency

Finally, let us cease the mindless beating up on the public sector. Low productivity and inefficiency in Jamaica are problems of the entire society - private, as well as public sectors. Look at what happened to Air Jamaica when it was in private hands. Lack of appreciation of the importance of a strong public sector is a sign of cultural backwardness. Rote-like assaults on the public sector are simply part of the bankrupt neoliberal ideology. It was the private, not the public sector, which produced the present global economic crash. We need both a strong private and a strong public sector.

Nothing is more unpleasant than to hear persons who occupy cushy niches in unremarkable parts of our private sector smugly proposing the layoff of thousands of teachers, nurses and policemen. Maybe we should hand some of them a pink slip when we are handing them out to their IMF brethren and see how they like the bitter medicine they want to dish out to others.

Feedback may be sent to columns@gleanerjm.com.