

**Confidence Game: Fiscal Crisis, Market Confidence, and the Remaking of
Jamaica's Post-Recession Political Economy**

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ABSTRACT

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The deregulation of global financial markets has increased the propensity for economies, especially those in the developing world, to experience fiscal crises. Scholars have noted the potential for these crises to pit the interests of market actors against the social demands of workers and the poor. Among the most indebted countries in the world, Jamaica confronted a particularly acute fiscal crisis in the wake of the Global Recession. Moreover, its decision to prematurely abandon an IMF structural adjustment programme in 2010 and its rapidly deteriorating public finances resulted in the country being unable to access financing on the international capital market for the first time since the 1970s. Yet, a mere six years later, the Jamaican authorities managed to successfully complete a second IMF programme, this one being among the most austere structural adjustments that the Fund had ever designed. Jamaica's success earned it widespread acclaim in the

global financial community. On the brink of a debt default in 2013, the country reduced its public debt by a third in five years and earned the reputation as a model for developing countries.

Drawing on two dozen interviews with policy elites from the government, the local business community, public sector trade unions and representatives from the IMF, World Bank and IDB, the study finds that reform efforts directed at regaining market confidence animated IMF-mandated economic reforms and played a central role in Jamaica's mercurial transformation from being an economic pariah to a model for developing economies. It also finds that the need to regain market confidence provided market actors with the leverage to advance their own capital-friendly policy agenda and arrogate new economic policymaking and oversight prerogatives to themselves through public-private policy schemes. Additionally, the government and multilateral financial institutions advanced unprecedented austerity policies designed to win back the confidence of investors and creditors in an increasingly competitive global economy. However, these policies had detrimental socio-economic impact on public sector workers who endured a significant erosion in the purchasing power of their wages, as well as the poor who shouldered the burden of public spending cuts and higher consumption taxes. Drawing on over two dozen interviews with non-elite Jamaicans, the study also finds that priorities of policy elites did not reflect ordinary citizens' concerns and interests. Indeed, while elites who pushed for less government in economic affairs, non-elites frequently conceived of ways in which the state apparatus could be used proactively to generate employment and address Jamaica's stubborn social and economic ills. Nor did non-elites conceive of

economic issues as separate from the social and political oppression they experience in context of Jamaica's historical class and racialized antagonisms.

The study represents an important contribution to the understanding of how markets serve to condition contemporary economic governance in ways that systematic favour the capitalist interests and disfavour those of workers and the poor. It also reveals the potential for market imperatives to invert the roles of the public and private sphere: whereas governments have traditionally enjoyed the prerogative to regulate markets, market actors are now increasingly called upon to regulate economic governance. As governments are likely to experience unprecedented fiscal pressures arising from the coronavirus pandemic, the study concludes by underscoring the urgent need to redesign the international financial order so as to prioritize economic and social development over market diktats.

TABLE OF CONTENTS

List of Figures.....	x
List of Tables.....	xi
Introduction	1
Chapter One: Literature Review and Methodology	8
Literature Review	8
Fiscal Crises and the Disembedding of Financial Markets	8
Multilateral Institutions and the Washington Consensus.....	19
Public-Private Partnership	29
The Imperative of Market Confidence.....	33
Democracy and Capitalism.....	43
Summary	47
Data and Methodology.....	48
Epistemic Framework and Motivation.....	49
Data Collection	54
Selection and Recruitment.....	61
Data Coding and Analysis	63
Chapter Two: Background.....	67
Jamaica’s History of Fiscal Challenges.....	67
Post-Recession Crisis and the Loss of Confidence	71
2010 Stand-By Arrangement	73
Shut Out of the Capital Market.....	75
A Return to the IMF	77
The Government Goes to Washington	79
IMF Programme Conditionalities.....	85

Prior actions.....	86
Quantitative Performance Criteria.....	89
Structural Benchmarks	91
Rushed Timeline	93
Jamaica’s ‘Improbable Success’	96
A Model for All.....	99
Summary.....	102
Chapter Three: IMF ‘Fiscal Priests’ and the Doctrine of Market Confidence	104
The IMF’s Visible Hand	104
Technical Clout.....	104
Political and Racial Factors	108
The IMF’s Imprimatur.....	111
Private Sector Support.....	115
Fiscal Priests.....	118
Free to Listen or Starve	122
Market Confidence and Global Competitiveness	124
Enticing Investors	124
Creditworthiness.....	127
Capital-friendliness	130
Summary.....	132
Chapter Four: Private Sector Regulators	133
Bondholder-Dominated Policy Oversight	135
Economic Programme Oversight Committee.....	135
Bondholder Domination	139
A Supposed Sacrifice	141

Private Sector-Dominated Policymaking	143
Remaking State-Business Relations	146
The Fear of Capital Flight	146
Domestic ownership	148
Perennializing Private Oversight.....	150
Private Sector Benefits.....	154
Lowering Corporate Taxes	154
Overhauling Incentives	156
Fear of Capital Flight Redux: The Tourism Industry	161
Marginalizing unions	164
Successive Wage Freezes	165
No Worker Benefits.....	168
Weak unionism	171
IMF Rationale for Job Cuts	173
Summary.....	176
Chapter Five: Marginalizing the Poor	177
Success Revisited.....	177
Marginalizing the Poor as a Policy Choice.....	180
Reassessing Worker Protection.....	182
Income Tax Gamble.....	183
Feel-good moments.....	189
Political Citizenship.....	190
The Business of Government.....	192
Breaking the political cycle	194
An unforgiving global economy.....	196

Incidental Social Spending	197
Summary.....	200
Chapter Six: the Politics of Predation	202
Jamaica’s Fiscal Burden	202
Unequal Taxation.....	202
Giving unto Caesar	205
IMF and the Debt Burden.....	209
Attitudes towards the IMF	209
Wrong Spending Priorities	211
Government as Job Creator	214
Elite Predation.....	217
Corporate Predation	218
Social Predation.....	222
An Epidemic of Violence	225
Police as ‘Crime-Makers’	229
Political-Criminal Nexus.....	230
Political Predation	234
Cynical realism.....	236
Summary.....	239
Conclusion	241
Bibliography	246

LIST OF FIGURES

Figure 1: Foreign Direct Investment, net inflows – Jamaica.....	97
Figure 2: Gross Capital Formation – Jamaica.....	98
Figure 3: Intentional Homicides – Jamaica.....	179

LIST OF TABLES

Table 1: Role in Policy Process and Types of Questions Posed to Interviewees.....55

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DEDICATION

For My Mother, May I Inherit Half Her Strength

INTRODUCTION

In February of 2018, about ten years after the onset of the Great Recession, I sat down to interview the head of one of Jamaica's largest financial institutions. The financier had just come back from a hushed phone conversation at the other end of his apartment-sized office. Resuming our conversation, he exclaimed: "[...] And I think the IMF just said, 'This is a 'Three-Card' country! We can't deal with it! Lock them out!'" Referencing the International Monetary Fund's image of Jamaica's economic management in the wake of the recession, the comparison to the famous Three Card Monte con was telling. In 2010, Jamaica had abandoned an IMF structural adjustment programme a mere months after signing the two-year agreement. The financier was echoing a widely-held perception within the domestic and global financial communities that Jamaican public officials had 'conned' the IMF by agreeing to a programme of fiscal austerity to access over a billion U.S. dollars in credit, without any real intention to sticking to its conditionalities. Moreover, the financial sector had recently forgiven 43 billion Jamaican dollars (about half a billion in U.S. dollars) in interest payments on its loans to the government, on the understanding that the government would follow through on implementing the austerity programme.

The repercussions of this 'con' were grave, however. The government soon found itself unable to access credit on the international capital market as lenders increasingly anticipated a default on its external debt. Already, the 2010 debt restructuring agreement with the domestic financial sector—considered a 'technical default' by credit ratings agencies—represented one of the largest sovereign defaults ever, bested only by Greece, Argentina, and Russia (Barnato 2015). Indeed, the former British colony has long been among the most indebted countries in the world, with its debt-to-GDP ratio

approaching 150 per cent in 2013 (International Monetary Fund 2013b). This chronic indebtedness affords the government little fiscal space to address the urgent social problems that plague the society, particularly violent crime. Debt servicing obligations alone accounted for about a half of budget spending after the Great Recession (Jubilee Debt Campaign 2013).

However, a mere six years after abandoning its 2010 agreement, the government successfully completed a second IMF programme. Not only were the conditionalities tied to the second programme more difficult than those of the first, but they were also among the most austere of any IMF programme. The IMF-mandated adjustment called for an extraordinary effort on the part of public officials to consolidate Jamaica's debt: if the debt stood at 150 per cent of GDP in 2010, it would fall to below 100 per cent by 2018. An unprecedented series of new tax measures, deep cuts to spending and a freeze on public sector wages also contributed to the country achieving one of the highest primary surplus levels of any non-oil-producing country in 2014. For their efforts, Jamaica received widespread attention and acclaim within the global financial community and was heralded as a model for countries confronting fiscal challenges.

Yet, there is another story that must be told about the country's post-recession reform efforts; one that examines how the push towards pro-market reforms indelibly remade Jamaica's political economy. In its desperate bid to avoid a looming debt default, the government found that it needed to bend to the will of local and foreign capitalists to attract financing. These market actors pointed to the post-recession challenges to repudiate the government's management of the economy and legitimate calls for alternative policies. These policy reforms not only reflected capitalist interests, but they

also provided the impetus for the emergence of a novel set of institutional arrangements that transferred policymaking and oversight prerogatives to the private sector. These shifts should be apprehended within the context of what scholars have referred to as the market confidence game (Krugman 2009; Martínez and Santiso 2003). In describing the confidence game, the economics Nobel laureate Paul Krugman notes that:

[...] it is possible in principle that a loss of confidence in a country can produce an economic crisis that justifies that loss of confidence—that countries may be vulnerable to what economists call “self-fulfilling speculative attacks.” And while many economists used to be sceptical about the importance of such self-fulfilling crises, the experience of the 1990s in Latin America and Asia settled those doubts, at least as a practical matter. The funny thing is that once you take the possibility of self-fulfilling crises seriously, market psychology becomes crucial—so crucial that within limits, the expectations, even the prejudices of investors, become economic fundamentals—because believing makes it so. (p. 110)

Thus, governments that wish to avoid economic crises—particularly those that, like Jamaica, face chronic fiscal shortfalls—must constantly seek to win creditors’ approval by ensuring that they are fiscally-sound and friendly to market interests. Nor is this imperative neutral in its social effects. Markets support austerity measures because they preserve the value of capital assets and provide the fiscal cushion for creditors to get repaid. But these policies also register themselves in the material circumstances of the poor. And—as I hope to show in the final chapter of this manuscript—it is not hyperbolic to say that that these circumstances, against a wider social and historical landscape of oppression and predation, include extreme deprivation and death. Above all others, it is the poor who are first called upon to shoulder the burden of austerity; and, yet, it is they who are invariably the last to be consulted on the desirability of such measures.

This dissertation tells the story of how Jamaica became an arena for the market confidence game in the aftermath of the Great Recession and examines the material and

social consequences it produced. In Chapter One, I review the literature on fiscal crises and market confidence. I argue that the potential for fiscal crises to emerge has grown in the context of global financial deregulation where economies continually face threats of capital flight. I also show that, within the dispensation, the need to preserve market confidence imposes itself as imperative of contemporary economic governance and further underscores the tensions between market interests and social demands that fiscal sociologists have long identified as a feature of modern capitalist economies. Finally, I discuss the increasing convergence around austerity and growing calls to include private actors in governance as the preferred policy response to fiscal and economic challenges, before outlining my methodological approach to this study.

In Chapter Two, I outline Jamaica's history of fiscal challenges, focusing on its engagement with the IMF and other Washington-based multilaterals after the Great Recession. I highlight how Jamaica came to be 'shut out' of the international capital market and recount the difficulties state officials confronted in regaining market confidence. I, then, discuss how public officials leveraged connections to the U.S. political establishment to successfully lobby the IMF to sign a new lending programme in 2013. I also outline the stringent conditionalities that accompanied the programme and the considerable efforts Jamaica took to meet them, an outcome that ultimately earned the country considerable laudation within the global financial community.

In Chapter Three, I use the Jamaican case to demonstrate how the IMF plays a central role in developing countries' ability to maintain the confidence of capital markets. I show that the IMF's imprimatur serves as an important signal to creditors that an economy-in-crisis is committed to pursuing policies that do not threaten returns on capital.

I also specify the mechanisms through which market confidence is said to produce favourable economic outcomes. To wit, signalling capital-friendliness entices investors by providing assurances that threatening measures such as additional corporate taxes, capital controls and nationalization will not be used by public authorities to combat fiscal and financial crises. It also provides reassurances to creditors that a government will prioritize repaying its debts over demands for social spending when confronting budgetary shortfalls.

In Chapter Four, I argue that the Jamaican government's desperate need to avoid a debt default and the IMF's promotion of 'domestic policy ownership' provided the context within which private actors could successfully enact policy changes for which they had long advocated. Furthermore, because these policies lowered the corporate tax burden at a time when workers and the poor faced unprecedented tax hikes and wage stagnation, policy elites sought to cloak these changes in a discourse of social partnership. I also show that the private sector used its leverage to abrogate certain policymaking prerogatives to itself and attempted to place economic governance under a regime of permanent private sector oversight. Finally, I argue that—while their participation in so-called 'public-private' policymaking schemes served to legitimize the social partnership discourse—public sector unions did not receive the types of material benefits afforded to the corporate sector, and are likely to be made worse off by policy reforms going forward.

In Chapter Five, I revisit the idea of Jamaica's success in completing one of the most austere IMF programmes. I show that—while the country's public accounts recorded significant improvements—this belies the socioeconomic hardships and dislocation that

the reforms produced. I also contend that, while workers did receive an income tax reprieve in the post-recession environment, this did not come as a deliberate policy choice by elites or from the bargaining power of the Jamaican labourer. Instead, it arose as a cynical electoral gimmick meant to pander to voters. I, then, show how the unprogrammed tax reprieve for workers ironically served to strengthen market actors' argument that the government is fiscally irresponsible and lent credence to calls for even greater austerity. Finally, I argue that, unlike policies that promoted capitalist interests, reforms directed at social assistance were very limited and reflected an attempt to counteract the image of reformers as anti-poor.

In Chapter Six, I present findings from my interviews with ordinary Jamaicans. These interviews suggest that elites in the political and business classes and multilateral institutions do not reflect the concerns and interests non-elites who, largely, repudiated austerity. Interviewees repeatedly assessed the state of the economy, not in relation to the improvement of accounting metrics (GDP, fiscal balance, inflation, etc.), but in terms of how it might translate into improvements in the socioeconomic conditions of the masses. Unlike elites who pushed for less government in economic affairs, non-elites—despite their distrust of politicians—conceived of ways in which the state apparatus could be used proactively to generate employment and address Jamaica's stubborn social and economic ills. Finally, I recount interviewees' experiences with and attempts to navigate social and political predation in a post-colonial society structured around rigid racial and class hierarchies. While I had not intended to address these questions in the study, it quickly became apparent that interviewees viewed their socio-cultural and political lives as bound up with the economy. Indeed, scholars have shown that the modern conception

of the “economy” as a separate sphere from society only arose after the Great Depression (Mitchell 1999; Rose and Miller 1992). The narratives presented in Chapter Six serve as a reminder of the need to bypass the tendency within mainstream economic thought to confine itself to reifications and abstractions, and of the urgent need to re-embed economic policy in the material existence of workers and the poor.

CHAPTER ONE: LITERATURE REVIEW AND METHODOLOGY

Literature Review

Fiscal Crises and the Disembedding of Financial Markets

As a research agenda, fiscal sociology can be traced back to the work of Joseph Schumpeter ([1918] 1991) and Rudolf Goldscheid ([1925] 1958). As European nations became substantially indebted to the United States in the wake of World War I, both thinkers became increasingly concerned that fiscal challenges could not be resolved in the existing social and financial order. This led Schumpeter to not only observe that taxation was a significant factor in determining the political, economic and social character of nations, but also that modern states were destined to face rising demands for social protection. For Goldshield, fiscal sociology tasked itself with the analysis of “the pattern of public finance,” as well as “the immanent contradiction between capitalist economy and socially productive public economy” (p. 212). Thus, much of the subsequent works by fiscal sociologists have focused on difficulties states encounter in generating tax revenues to meet its spending requirements. However, in contrast to economists’ narrow focus on the health of a state’s public accounts (Campbell 1993), sociologists have been particularly interested in the potential for severe revenue shortfalls, known as fiscal crises, to give rise to social contestation and redistribute political power among capital, labour and the state.

James O’Connor’s Marxist classic *The Fiscal Crisis of the State* ([1973] 2001) represents a seminal contribution to sociological understanding of fiscal crises. O’Connor argues that fiscal crises tend to arise in the context of the capitalist state’s attempt to raise

sufficient revenues to both 1) make adequate capital expenditures to encourage private investment and lower labour costs, and 2) maintain sufficient levels of social spending to preserve popular legitimacy. O'Connor sees these two objectives as being in tension with each other because, in the former case, tax policy encourages capital accumulation which favours the capitalist class, while in the latter, it favours the welfare of the working class.

Scholars interested in international political economy generally accord on the view that the globalization of finance has increased both the potential for and severity of fiscal crises. Most notably, Polanyi ([1944] 2001) has argued that the shift from mercantile to liberal capitalism and the emergence of the bourgeois class in the early 19th century led to a new political-economic dialectic that the author termed the *double movement*. This double movement is characterised by alternating periods where states embrace free market ideas advanced by the capitalist class and where the social backlash from this posture leads to greater social protections. In fact, the capitalist class had progressively gained a measure of autonomy relative to the state even before the emergence of liberal capitalism. For example, North and Weingast (1989) have noted that, prior to the 18th century, loans made by private creditors to the English state were subject to scheduling and payment delays at the Crown's discretion. However, as the bourgeois rentier class gained political and economic prominence at the expense of the aristocracy, the Crown began earmarking new taxes for interest payments and limiting its discretionary powers over these allotment to attract financing.

For Polanyi ([1944] 2001), changes in the international financial order can have important consequences for the domestic political economy. The author argues that the United States' decision to abandon the gold standard in 1933, for example, brought the

forces supporting the free market and those supporting social democracy to a dangerous impasse. In the absence of the self-regulating mechanism of the gold standard, European economies faced unprecedented fiscal crises that precipitated the rise of fascism in Italy and Germany—nations that prioritized market interests over social forces—and the embrace of Bolshevik socialism in Russia, which did the opposite.

As Ruggie (1982) has famously argued, the post-war period saw a return to states' attempts to balance market forces with social protections. Internationally, this period of 'embedded liberalism' led states to impose tighter controls on capital movement, as well as establish the Bretton Woods system—regulated by institutions such as the World Bank and International Monetary Fund (IMF)—in order to stabilize the movement of goods and capital. Nationally, state spending encouraged investment and full employment, while trade unions played an important role in securing higher wages. In many non-Western countries, the impetus for states to take a more active role in social and economic development appeared even more urgent, often resulting in ambitious *dirigiste* schemes to industrialize and provide social prosperity (Scott 2020).

However, the period of embedded liberalism began to unravel at the beginning of the 1970s. Faced with a high deficit—due, in large measure to the cost of the Vietnam War which threatened to deplete the United States' gold reserves—the Nixon administration put an end to dollar convertibility in 1971 (Wade 2000). In the immediate post-war era, countries had fixed the value of the currency relative to the US dollar, which was, in turn, pegged to the United States' gold reserves. However, the so-called 'Nixon shock' created the context for countries to begin 'floating' their exchange rates.

Consequently, states' ability to determine the value of their national currency became substantially constrained by market forces.

As Blad (2008) notes, this shift away from dollar convertibility encouraged the mobility of financial capital by making currency speculation a lucrative investment prospect. When successive oil shocks resulted in an increase in energy costs in 1973 and 1979, the tensions inherent in the states' attempts to provide robust social provision and lower taxation (about which earlier fiscal sociologists had warned) became apparent. Expansionist government policy designed to sustain full employment and the expectation of ever-increasing wages led to high levels of inflation (Crouch 2011). This placed downward pressure on the exchange rate and made state spending more costly. Moreover, Western governments were hamstrung in their ability to respond with currency revaluation for fear of speculative attacks and capital flight.

Scholars have argued that the end of gold convertibility served to limit the state's control over capital markets and to undo many of the social protections gained in the immediate post-war period of *embedded liberalism*. Helleiner (1994), for example, contends that the 'Nixon shock' forced states in a position of needing to appease markets with capital-friendly policies in order to generate demand for their national currencies. The liberalization of exchange rates globally also contributed to the intensification of cross-border capital movement as investors chased the most attractive opportunities in volatile markets, particularly in countries with high interest rates. As Blad (2008:58) concludes, "the outcome was a capitalist state less interested in meeting non-liberal social protectionist demands (that they could rarely afford during this period of fiscal crisis) and

moving in the direction of creating conditions favourable to domestic and foreign capital investment.”

Several sociologists have linked post-war financialization to the increased frequency of fiscal challenges in advanced capitalist societies. Schafer and Streeck (2013) have argued, for example, that while fiscal crises in developed economies only became apparent after the 2008 Great Recession, the situation had long been in the making. The authors note that almost all OECD economies have gradually accumulated debt since the 1970s to fill persistent gaps between public revenues and expenditures. Soon, these advanced economies’ appetite for debt began crowding out investment and contributing to high inflation and low growth. Eventually, these fiscal pressures bolstered calls from capitalists for greater consolidation of public budgets and a return to fiscal discipline. Leftist parties gradually abandoned the goals of full employment and social welfare that characterized the period of embedded liberalism, as the Thatcher-Reagan era of the 1980s led to deindustrialization and undermined trade unionism (Crouch 2011). By the 1990s, even Left-of-Centre parties in the West began espousing austerity policies and became hostile to welfare and trade unionism (Mudge 2018).

In developing economies, however, the situation was even more dire. The liberalization of capital markets and the loosening of financial regulations at the beginning of the 1970s made it significantly easier for creditors to invest. Confronted with a macro-economic environment characterized by sluggish growth, low interest rate, and high inflation in developed economies, international bankers—by then, awash with petrodollars from surging oil prices—chased higher yields in developing countries (Babb 2005:200). Poor countries, which were keen to advance their own industrial development

and satisfy rising social demands, accumulated considerable debt from this new supply of credit. Thus, the total outstanding debt in Latin America ballooned from 29 billion USD in 1970 to over 400 billion USD at the end of the 1980s, about 80 per cent of which was government-owned (FDIC Division of Research and Statistics 1997:191-93; Felix 1990:738).

However, if poorer countries offered higher returns for creditors, it was because they presented a greater risk of default. When interest rates rose sharply at the end of the 1970s, the credit bubble turned into a full-blown sovereign debt crisis. Dubbed the 'Tequila Crisis,' Mexico became the first of several countries to default in 1982. The North American nation—whose debt had grown at an average annual rate of more than 30 per cent between 1973 to 1981 (Boughton 2001)—secured a 3.84 billion USD loan from the IMF with significant conditionalities (Riding 1982). These conditionalities typified the structural adjustment programmes of the 1980s applied to developing countries: currency devaluation, deep reductions in public spending, and the privatization of state assets (Babb 2013; Kentikelenis, Stubbs, and King 2016). However, while Jamaica managed to avoid default, it was, in a sense, the first such experiment. As an article in the *Boston Review* (Getachew 2019) points out, "While Mexico's 1982 default is often viewed as the beginning of this process, [...] Jamaica was the first victim of the Third World debt crisis and began structural adjustment in 1977."

The debt crisis had important implications for state-market relations. Babb (2005) argues that the 'Third World Debt Crisis' facilitated the push by multilateral financial institutions like the IMF and World Bank to promote capital-friendly reforms that were required as a precondition of providing financial assistance to poor, indebted economies.

Moreover, the author points out that developing economies in crisis tended to “overshoot” by adopting even stronger capital-friendly policies than existed in developed countries in a bid to appease foreign investors and multilateral institutions (p. 204). As the author put it, “[p]artly as a result of such pressures, many Third World governments have maintained very high interest rates and fiscal surpluses (a policy that stands in stark contrast, for example, to the policies of Federal Reserve Chairman Alan Greenspan since the mid-1990s), with negative consequences for growth” (p. 204).

The tendency towards economic instability only increased as financial markets became increasingly deregulated during the final decades of the 20th century. Krippner (2011) has noted the increased significance of the financial sector in the U.S. economy. Specifically, the financial sector’s share of corporate profits doubled to 30 per cent between the 1960s and the 1980s and reached 40 per cent in 2001. Krippner acknowledges that part of the impetus for this push towards financial deregulation was the difficulty U.S. authorities faced in meeting social demands in the context of limited resources. This difficulty led to a slow-burning fiscal crisis as authorities resorted to deficit spending. However, this policy served to increase inflation and strengthen calls by pro-market advocates for greater fiscal restraint, leading to a crisis of political legitimacy.

Crouch (2011) and Streeck (2017) have argued persuasively that these challenges led U.S. authorities to deregulate financial markets so its citizens could have access to greater private credit, a situation that would come to a head with the 2008 Great Recession. Thus, up until 2008, the tendency to meet social demands through public spending was gradually replaced with borrowing by private individuals who now had unprecedented access to affordable credit. Suarez and Kolodny (2011) add to this

narrative by examining how the political influence of the financial industry and pressures from international competition in the 1990s led to the repeal of the *Glass-Steagall Act* and amendments to the *Bank Holding Company Act* and, ultimately, weakened the government's regulatory oversight of financial products. The authors also cited bipartisan support for the *Financial Services Modernization Act* that, upon its passage in 1999, ended the decoupling of commercial and investment banking. These legislative changes, the authors contend, created the structural conditions in which financial institutions became “too big to fail” and required significant government bailouts in the wake of the 2008 crisis. The push towards financial deregulation was not exclusive to the United States, however. In fact, Abdelal (2009) argues that EU policymakers, keen on promoting an ever-closer economic union, had a much more prominent role in advocating for a deregulated global financial system. Abdelal also recounts attempts by the IMF to codify the unrestricted movement of capital in its Articles of Agreement in 1997, which the Fund ultimately aborted in the wake of several crises during the decade.

Although developing countries played only a marginal role in creating this financialized global economy, they suffered much of the consequences. Rochet (2008) observes that the last four decades have played host to a number of financial crises. The author notes, for example, that more than 130 of the 180 IMF member-countries have experienced financial crises or serious banking problems since the 1970s (p. 21). Wade (2000) also notes that between the mid-1970s and mid-1990s, at least 69 countries experienced one or more major banking crisis while some 87 countries experienced at least one major currency crisis. Financialization also amplified the scale of economic crises. The cost of the U.S. Savings and Loan crisis in the late 1980s, for example, was

more than the total loss of all U.S. banks during the Great Depression, even after accounting for inflation. Additionally, a series of financial crises broke out in developing and emerging economies in the 1990s, most notably the 1994 Mexican *pesos* crisis and the 1997 Asian financial crisis, both of which quickly spread to regional economies. These were followed by similar crises in Russia, Brazil, Argentina, Turkey and Uruguay.

While these crises did not originate with government spending, they nonetheless required significant corrective government intervention. These interventions took a toll on the respective governments' fiscal accounts and the health of the wider economy. In the case of Argentina, the economy contracted by 20 per cent from 1998 to 2002 (Carranza 2005:66). By the end of 2000, the crisis provoked a severe lack of confidence in the economy, causing interest rates on government bonds to climb to more than 50 per cent (Independent Evaluation Office of the IMF [IEO] 2003:4). As a fraction of GDP, the public debt ballooned from 52 per cent to 133 per cent between 2001 and 2002 (p. 18). At the end of the crisis in 2002, more than 1-in-5 persons in the labour force were unemployed and real monthly wages had declined by 18 percent over the course of the year. More than a half of Argentines lived below the official poverty line, while a quarter were classified as unable to meet basic needs (Cibils, Weisbrot, and Kar 2002). Wade (2000) has also made the case that, without the profound changes to the global economic structure wrought by the liberalization of capital markets, the 1997 Asian financial crisis would not have occurred. The crisis, Wade argues, was precipitated by a sudden reversal of capital flows in Korea, Thailand, Malaysia, Indonesia, and the Philippines, moving from 93 billion USD of inflows in 1996 to 12 billion in outflows in 1997.

Scholars have also noted that the policy responses to financial and fiscal challenges have been remarkably consistent in the context of a globalized financial economy (Fourcade-Gourinchas and Babb 2002; Pontusson and Raess 2012). Examining the economic management of Britain, Chile, France and Mexico since the 1970s, Fourcade-Gourinchas and Babb have noted the strong convergence towards “neoliberal policy consensus [...] rooted in the constraints imposed by the rise of a global—and increasingly volatile—financial order, which limited the range of policy options available to governments around the world” (p. 568). In their review of the literature on financial crises, Frieden and Walter (2017) have outlined three distinct policy responses that governments often take. Typically, governments first seek to devalue their currency. It can serve to improve export competitiveness and spur economic growth. Indeed, an evaluation of the IMF’s policy response to the Argentine crisis by the IMF’s internal oversight body, the Independent Evaluations Office, found that the Fund’s attempt to prevent devaluation of the pesos “forced an increase in the debt service ratio by suppressing the growth of exports and widening the current account deficit” (IEO 2003:5). However, as the report notes, devaluation can be especially costly for elected officials as consumers experience an increase in the cost of imported goods. Indeed, Frankel (2005) has argued that the devaluations that occurred in developing economies-in-crisis in the 1990s made the situation worse. This is because firms in such economies have a large portion of their debt denominated in a more stable foreign currency, usually the U.S. dollar. As such, devaluation raises the cost of servicing corporate debt and tends to produce bankruptcies and layoffs. For this reason, Frankel finds that currency crashes increase the probability that an incumbent leader will lose office within six months by 1.7

times whereas the chances that a Finance Minister or central bank head will lose their job increases by 63 per cent.

A second frequently-used policy response is the imposition of austerity measures to contain public expenditure and increase revenues (Frieden and Walter 2017). Such measures often include increases in taxes, cuts to public services and the divestment of government bodies. Despite the evidence of its electoral unpopularity (Hubscher, Sattler, and Wagner 2020), austerity still appears as a preferred option in the toolkit of economic policymakers (Blyth 2013). Crouch (2011) has sought to explain this “strange non-death” of neoliberal policies in terms of the influence that increasingly-oligopolistic corporations have over governments, while others point the finger at professional economists (Fourcade-Gourinchas and Babb 2002; Mudge 2018) and media and elite framings of economic issues (Barnes and Hicks 2018).

Finally, crisis governments often seek to borrow from international capital markets to make up the revenue shortfall. However, as indicated by the increase in spreads during the Argentine crisis, this requires that creditors have confidence in the health of the government’s public finances. Such confidence is particularly difficult to garner in the case of structurally weak economies that find their ability to regulate capital markets diminished by financial liberalization. Martinez and Santiso (2003) have observed that the financial liberalization of the 1990s have contributed to more frequent crises by amplifying the effects of market confidence. The authors cite a recent study showing that the frequency of crashes for a closed emerging economy is 25 per cent on average during a year, against less than 9 per cent for a closed developed country (p. 364). The frequency of crashes for an open emerging economy, however, is close to 62 per cent, compared to

less than 10 per cent for an open developed country. In addition, scholars (Fourcade-Gourinchas and Babb 2002, Babb 2005:130) contend that, despite this convergence around neoliberal policies, there exists important differences between developed and developing country responses to fiscal pressures. Noting that a country's "position in the world system has important consequences for the mechanisms through which neoliberal paradigm shifts occur," the writers contend that "[t]here is little question that poor nations are particularly prone to having their economic policies imposed from without, rather than developed from within" (p. 570). Indeed, developing countries, much more than developed ones, have come to rely on multilateral financial institutions like the IMF to act as a lender-of-last resort when facing economic challenges.

Multilateral Institutions and the Washington Consensus

As the most important institution in the international financial system (Lee and Kaiman 2015), the IMF has played a central role in developing countries' convergence around capital-friendly policies in their response to fiscal crises. However, the Fund has not always adopted this stance. At its founding, U.S. and British negotiators—led respectively by Harry White and John Maynard Keynes—debated the IMF's role in stabilizing the international economic system. While Keynes suggested that governments should use demand-side counter-cyclical policies like additional government spending to raise aggregate demand and generate full-employment, White argued instead for the merits of tight monetary controls that would preserve the value of capital and encourage investment (Boughton 2002). In fact, prior to the 1970s, the IMF's policy prescriptions, which accorded with the international consensus around embedded liberalism, reflected elements of both arguments. According to Babb (2005:200), multilateral financial

institutions like the IMF not only endorsed domestic protectionist policies, price controls and restrictions on capital movements, but condoned, and even promoted and financed, state interventions.

However, this compromise between market forces and social protection would come undone in the 1960s (Crouch 2011). By the end of the decade, growth rates in more advanced economies, particularly Britain and the United States, began to decline, even as workers clamoured for higher wages. Still, political officials feared that abandoning full employment would be electorally costly, leading them to resist deflationary policies and resulting in a period of sustained stagflation. As Crouch notes, while this development did not initially present serious challenges for workers who were able to index their wages to inflation, creditors and holders of financial assets experienced a significant erosion in the value of their capital. However, as the stagflationary environment began producing unmanageable market distortions, the government was forced to step in to restore monetary discipline by the end of the 1970s. This experience strengthened market advocates' attempts to repudiate expansionary economic policies designed to promote social welfare. The steady accumulation of public debt during the 1980s and ensuing decades lent further credence to the calls for austerity measures to rein in spending, as underscored by the electoral successes of Thatcher and Reagan.

By the end of the 1970s, the policy approach of the IMF and other multilateral institutions had come to reflect a so-called "Washington Consensus" (Babb 2013; Serra and Stiglitz 2008). Based on the Anglo-American model of crisis management, this consensus sought to limit government oversight of the financial and productive sectors and promote open capital markets as the basis of the financial system (Wade 2000:89).

Developing states were diagnosed as having excessive and wasteful public expenditure, too many state-run agencies and programmes, and too much bureaucratic red tape. Furthermore, Washington-based multilaterals promoted the idea that, in order for developing countries to attract foreign investment and generate growth, they needed to adhere to strict fiscal discipline and liberalize commercial and capital markets (Blad 2008). Reeling from the sudden increase in oil prices and the debt crisis of the late 1970s and early 1980s, developing states found themselves with little choice but to adopt structural adjustment programmes (SAPs) that imposed pro-market reforms as a condition for accessing multilateral funding.

Still, the Washington Consensus proved quite unpopular in the developing world (Felix 1990). Countries that were subject to structural adjustment experienced several negative outcomes, including cuts to health expenditure (Daoud and Reinsberg 2019; Kentikelenis et al. 2016), the erosion of labour rights (Blanton, Blanton, and Peksen 2015), and even civil war (Hartzell, Hoddie, and Bauer 2010). Stiglitz (2008:43) has prominently argued that the countries that went furthest in implementing Washington Consensus reforms, primarily countries in Latin America, had worse economic records after these reforms than prior to them. Moreover, these countries had worse records than countries that did not follow the Washington Consensus approach. Babb (2005:209) too concludes that capital-friendly reforms have failed to generate the growth, development and convergence of incomes between rich and poor countries that advocates promised. The author observes that between 1960 and 1980, per capita output grew 75 per cent in Latin America and 36 per cent in sub-Saharan Africa; whereas, between 1980 and 2000,

it grew by only 6 per cent in Latin America and actually fell by 15 per cent in sub-Saharan Africa.

The success of the so-called Asian tigers (Hong Kong, Singapore, South Korea and Taiwan), which rapidly industrialized in the 1980s by adopting protectionist and interventionist economic policies, also cast doubts on whether free-market prescriptions were the best way to achieve development (Amsden 1992; Johnson 1982; Stiglitz 2008:43; Whyte 2009). Babb (2005:210) observes that, when one excludes China and India, a clear pattern of rising global inequality emerges. In China's case, the government eschewed market orthodoxy, preferring instead to rely on state-run enterprises and capital controls to industrialise (Vermeiren and Dierckx 2012). Similarly, the structural changes that led to India's rapid growth were created in the 1980s, a full decade before it implemented liberalization (Babb 2005). A 2002 paper by Barro and Lee also found that IMF programmes had a significantly negative effect on investment and growth over the long-term. The authors, who compiled data on IMF lending programmes from 1975 to 2000, also found that while IMF lending is associated with greater international openness, it tends to undermine the rule of law and democracy.

The seeming failure of free market reforms was underscored by sociologists' growing calls by in the 1980s to 'bring the state back in' to the understanding of the economy (Evans, Rueschemeyer, and Skocpol 1985). Unlike liberal and neoclassical economists, these scholars accorded a more prominent role to state intervention in determining development outcomes. However, these "developmental states" were equally understood to be constrained by a broader set of national imperatives and global forces insofar as they had to gain the support of local capitalists and compete globally

with other developing economies (Evans 1979). Thus, effective development policies required careful coordination between state interventionism and private capital (Amsden 1992; Chibber 2006; Evans 2012; Gereffi and Wyman 2014; Johnson 1982). For instance, Evans (2012) has demonstrated that state initiative can successfully alter a country's position in the global economy if state actors assist businesses with challenges such as signalling and research and development, and if they strategically incubate select new industries into global niches. Indeed, Evans attributes the industrial transformation of Korea and the emergence of competitive IT sectors in Brazil and India to coherent strategies for cooperation between businesses and the state.

Critiques of the Washington Consensus, however, did not appear to undermine the IMF's and other multilaterals' commitment to ideas of fiscal austerity and trade and capital liberalization. Chwieroth (2009) has attributed the IMF staff's core beliefs to the neo-classical training they receive in economic Ph.D. programmes at Anglo-American universities. The author contends that these beliefs reflect not only technical knowledge, but normative ideas that guide their understanding of development issues. Or, as the author puts it, "[j]ust as medical doctors are taught to value human life above other goals, economists are taught normative conceptualizations about how economies should be organized" (p. 42). Chwieroth notes, for example, that economists are taught to prioritize market efficiency over all other economic outcomes. This, the scholar suggests, leads economists to take a grim view of government regulation of capital markets, whereas different assumptions would lead to starkly different conclusions. Blyth (2013) has also traced the idea of austerity to German ordoliberal economists and other classical thinkers who believed that the role of the state is not to intervene in the economy but rather to

create a set of rules that guarantee economic stability and facilitate capital investment. He notes that “austerity is a dangerous idea for three reasons: it doesn’t work in practice, it relies on the poor paying for the mistakes of the rich, and it rests upon the absence of a rather large fallacy of composition that is all too present in the modern world” (p. 10).

In addition, as more and more developing countries have experienced fiscal challenges, an authoritative community of technocratic advisors and consultants linked to these institutions has emerged as producers of knowledge about development. Since these experts need not have more than a passing familiarity with the socio-cultural landscape of developing countries, they are often based overseas and propose prescriptions that are highly technical and formulaic and readily transferable to different country settings. Their critics charge that these technocrats are unaccountable and have little practical stake in the outcomes of policy prescriptions (Schneider 1998; Stiglitz 2003). In addition, their problematization of development tends to be apolitical and ahistorical (Gore 2000), and constrained by the need to satisfy the imperatives of global capital rather than the particular needs of developing countries (Stiglitz 2003). Along these lines, Rodrik has argued strongly for a new international financial order that recognizes that different regions require different prescriptions as opposed to a one-size-fits-all approach (Helleiner and Pagliari 2011). The economist has suggested that the management of financial crises is hamstrung by the mismatch between the wide reach of markets and the limited scope of governance produced by the globalization of finance. Rodrik has also decried the lack of acknowledgement that “desirable forms of financial regulation differ across countries depending on their preferences and levels of development” (p. 190).

There is also evidence that multilaterals' push towards financial liberalization reflects the interests of advanced economies that have the largest voting quota on the Fund's Board—and even large private financial institutions in these countries (Copelovitch 2010)—more than the needs of the economies-in-crisis. In this regard, scholars have pointed to the role of the U.S. government in IMF funding decisions. For example, Berger (2000:52) has argued that:

In a position of unchallenged dominance in global financial and trade institutions, the United States pushed for a rapid end to capital controls across the world and for making International Monetary Fund and World Bank assistance contingent on recipient countries' acceptance of sharp limitations on the role of government in the economy. From this perspective, globalization, far from reflecting the spontaneous spread of world markets and the toppling of barriers by economic actors eager for new opportunities, is a story driven by politics: ideological change, the contingencies of the collapse of the socialist economy, and U.S. power in the world.

As an indication of this dominance, Wade (2000:109) has asserted that in the wake of the 1997 Asian financial crisis, the US Treasury Department “virtually dictated the conditions attached to the emergency IMF financing arranged for Thailand, Indonesia, and Korea.” The Fund's policy prescriptions, Wade continues, “were meant to force the crisis countries, which by then had no bargaining room, to undertake structural changes intended to create institutions and rules closer to those of Anglo-American capitalism and more acceptable to U.S. business” (p. 109). Comparing this response to the more generous terms that the Treasury and the IMF offered to Mexico after its debt crisis in 1994, Wade concludes that the U.S. had a strong national interest in not seeing instability at its southern border, whereas its interests in the Asian crisis were better served by foisting market liberalization on East Asian economies. Finally, despite their claims of being neutral technocratic institutions (Thirkell-White 2005:19–46), Crook (1990) has drawn on the experience of the Cote d'Ivoire to show how institutions like the World Bank

and IMF use structural adjustment to force political changes and even push for heads of state to resign.

Despite these criticisms, market ideology continues to drive the development agenda of international institutions, if not without modification. In light of the disappointing results of structural adjustment programmes, a 'post-Washington Consensus' emerged among multilateral institutions that sought to give a more prominent role to state institutions in shaping development outcomes in the 1990s (Stiglitz 2005; World Bank 2003). In other words, international institutions adopted the view that market reforms were indeed sound policies; but needed to be implemented along with improvements in state institutional capacity. Or as North put it: "Third World countries are poor because the institutional constraints define a set of payoffs to political/economic activity that do not encourage productive activity" (Przeworski 2004:165). To combat these institutional deficiencies, multilateral institutions called on developing country governments to partner with the private sector and donors to address formidable development challenges (Farquharson et al. 2011; World Bank 2015c; World Bank 1989:xii). Thus, institutionalized forms of public-private collaboration appeared increasingly integral to development practice.

Abrahamsen (2000) has argued that market advocates' decision to blame a failure of public institutions for poor development outcomes served as an excuse for the failures of their own structural adjustment policies. This, the researcher claims, led to an ironic rediscovery of politics and state institutions after attempts to rely solely on market mechanisms to achieve development. Still, it should be emphasized that this new approach did not translate into support for more government intervention in markets.

Rather, under the post-Consensus approach, the state was given greater institutional leverage and political autonomy to promote market-based strategies for development (Rondinelli 2003:35). Rather than providing itself healthcare, for instance, the state might be expected to coordinate and incentivize private sector-led healthcare strategies. Multilaterals encouraged developing countries to use the state apparatus to facilitate and promote trade and investment, strengthen property rights and legal institutions, support the expansion of financial markets, and incentivize capital investors (Fourcade-Gourinchas and Babb 2002; Stallings 1992).

Loans and grants to developing states also came to be increasingly tied to a range of political and policy-based conditionalities. These conditionalities promoted objectives such as 'good governance', 'institutional capacity-building' and 'freedom and democracy' (International Monetary Fund 1997; Leftwich 1993; Thirkell-White 2005). This newfound interest in the states' institutional capacity was complemented by the declining influence of the *dirigiste* Soviet Bloc and the transition from one-party rule to liberal-capitalist democracy in scores of developing states at the end of the century (Diamond et al. 1999; Huntington 1993). Mainstream political scientists also gave attention to specifying the political-institutional conditions that would favour liberal-capitalist development (O'Donnell, Schmitter, and Whitehead 1986; Robinson 1996). Political development, they argued, required that states bring actors from the private sector and civil society into policymaking and implementation, all while ensuring that its officials did not yield to populist impulses that threaten established elites and encourage social discord (O'Donnell and Schmitter 2013:62–63).

Still, the turn towards political concerns in the 1990s did not detract from multilaterals' commitment to market-based reforms. In this regard, Cahill (2014) has offered an explanation for why neoliberalism continues to be the hegemonic orientation for addressing fiscal challenges despite its apparent failures. The author contends that, while scholars typically understand neoliberalism as a reflection of fundamentalist market ideology, it should more accurately be viewed as a policy regime that is embedded in institutions, class relations and ideological norms. This policy regime has proven to be 'sticky' because it is socially-embedded in the cognitive worldview and institutional norms of policymakers.

Pontusson and Raess (2012) also provide empirical evidence of the continued importance, and even growth, of pro-market policies. They argue that the range of policy responses that authorities considered globally in response to the Great Recession was much narrower than those considered in previous crises. During the major crises of the late 1970s, the authors argue, governments enacted an array of policies that combined orthodox market approaches with spending increases and unemployment benefits. The Great Recession, however, witnessed "a convergence on the American model of crisis management" (p. 14). In fact, for multilateral financial institutions, the goals of liberal-capitalist democracy and institution-building further underscored the need for neoliberal reforms. In this regard, Thirkell-White (2005:2) posits that the concept of good governance took on "a more technical meaning, tied up with market confidence" for the IMF. Accordingly, Fund staff produced research suggesting that good governance was a key component of attracting capital investment and, therefore, came to be seen as central to macroeconomic adjustment and financial stability in weaker economies. Moreover, the

author notes, the IMF's new focus on governance matters translated into a greater willingness to engage with domestic civil society.

Public-Private Partnership

The contemporary post-Washington Consensus approach to development emphasizes the inclusion of non-government actors from the private sector and civil society (Herzberg and Sisombat 2016). Through the mechanism of public-private schemes, private sector interests have increasingly taken an active role in the design and oversight of public policies (Cornick 2013; Herzberg and Wright 2006). Additionally, international institutions such as the IMF, World Bank and OECD have provided financial and technical support to bolster these arrangements. Supporters argue that collaboration encourages private actors to bring resources and know-how into governance in the context of weak state capacity, limited public finances and corruption (te Velde and Sen 2009). Moreover, collaboration is said to foster transparency and inclusiveness, which serve to build social trust among groups with divergent interests and promote long-term political stability.

The scope for private sector involvement in governance has widened in the context of the post-Washington Consensus's emphasis on policy-based loans. Under these arrangements, poor countries are expected to meet conditionalities requiring policy and institutional reforms tied to the disbursement of aid (Mosley, Harrigan, and Toye 1995). The World Bank, for example, introduced policy loans targeted at structural economic reform at the beginning of the 1980s (Omprasad 2016). This new prerogative marked an important expansion from its post-war mission to provide project-based financing. Indeed, policy-based loans represents about 25 per cent of the development bank's assistance

and was close to 40 per cent in the immediate aftermath of the Great Recession (World Bank 2015a:xi–xii). International institutions, including the OECD, the International Finance Corporation and World Bank, regularly organize international conferences to assist countries in developing and promoting public-private collaboration best practices (Cornick 2013). Public-private collaboration has therefore become an integral part of the development practice toolkit and, at times, accompanies explicit requirements to promote private ownership over public control of programmes (Independent Evaluation Group 2015:4; Romero and Ellmers 2019:122).

While scholars have long noted the tendency for business interests to influence the direction of public policy in liberal-capitalist societies, this recognition has focused on the role of lobbies and political campaign contributions (Domhoff 2013; Mills 2000). However, public-private schemes afford private interests a more direct institutional role in policy formulation and oversight. But why do policymakers advocate for such a direct role? The influence of United States in directing multilateral policy ideas, as well as the scholarship on intellectual history of liberalism, may offer some insights. The U.S. state has historically accorded a prominent place to the private sector in orienting its economic and social policy. Quinn has shown that, from as early as the 1780s, the U.S. state marshalled decentralized networks of state, private and civil society actors as an innovative attempt to promote business and social policies that responded both to the country's fragmented and complex political landscape and its orientation towards market-friendliness. In particular, the state's reliance on flexible credit schemes—ranging from forging partnerships with the private sector to providing statutory inducements for the adoption of market techniques—proved consequential in shaping the subsequent

development of the U.S. credit market and the emergence of securitization as a technique of financial risk management. Similarly, scholars have demonstrated that social policy in the 19th-century United States was marked by business and civil society participation in governance in the context of a decentralized federal state, as well as an ideological antagonism towards direct intervention from 'big government' (Weir, Orloff, and Skocpol 1988).

Where it concerns liberal ideology, Rose and Miller (1992) suggests that, at its core, the liberal-capitalist state reflects a specific form of governmentality that counterposes the state apparatus against the autonomy of civil society. Within this context, political authority must necessarily be limited, and vigilance exercised over it by non-state powers, even as it was tasked with organizing civil society. Thus, by rigidly delineating the state and non-state spheres, private autonomy is made to appear in opposition to political power. Abrahamsen (2000) similarly argues that (neo)liberal thinkers conceive of state power as inherently repressive, while viewing markets and civil society as arenas of freedom. For this reason, they advance the need for a minimalist state whose purpose is to guarantee certain basic legal-administrative functions such as the enforcement of contracts, property rights and security. In fact, attempts to broaden the scope of state action beyond these functions are often said to restrict freedom. It follows, then, that efforts to bring non-state actors into the governance process are seen as a counterweight to tyrannical rule. Thus, the rightful prerogative to determine economic and social outcomes is held to be located in civil society and not the state, even where governments are democratically elected.

In the context of the post-Cold War transition to democracy in many developing states, liberal political theorists came to view strong states as having the potential to encourage populism and fiscal profligacy. This posed a further risk of destabilizing democracy since the populace could easily be seduced by authoritarian-type figures and leftist populism (Lipset 1959). Huntington (1996:49), for example, has argued that a lack of education may benefit democratization in the developing world because “the appeals to communism are usually to literates rather than illiterates” whereas O’Donnell and Schmitter (O’Donnell et al. 1986:62) have maintained that:

For a transition to democracy to be viable in the long run, founding elections must be freely conducted, honestly tabulated, and openly contested, yet their results cannot be too accurate or representative of the actual distribution of voter preferences. Put in a nutshell, parties of the Right-Centre and Right must be ‘helped’ to do well, and parties of the Left-Centre and Left should not win by an overwhelming majority.

Following Schumpeter (2008) and Dahl (2006), they argue that the formulation of governance policies is best left to a small group of competing elites who determine governance policies, and that popular elections should serve as a procedural rubber stamp of elite rulership (Abrahamsen 2000; Diamond 1988; Przeworski 1991:34). Likewise, they maintain that democratic states should set the ‘rules of the game’ by instituting civil and political rights that allow for participation, but not determine the game’s results by engineering social and economic outcomes (Przeworski 1991). State planning, they fear, leaves civil society with little ability to decide on or change the course of society and the economy.

However, critics contend that the capture of policymaking by powerful elites contains the potential to deepen inequality and marginalization (Robinson 1996). Crouch (2015) has also argued that the public-private partnerships have become a feature of

'corporate neoliberalism.' This ideology, author suggests, has facilitated the dominance of a small number of oligopolistic firms that have not only become 'too big to fail,' but also too big to be challenged by government, or even civil society. In his critique of neoliberal governance, Harvey (2007) suggests that the most enduring effect of greater private sector participation in public policy has not been the economic growth or the political stability that its proponents trumpet. Rather, its defining achievement has been the redistribution of wealth from the poor to the rich. Finally, Alford and Friedland (1975) argue that, in practice, the poor and working classes experience participation without power while the rich and upper classes exercise power without participation. Elites' involvement in policymaking, therefore, serves to communicate and reproduce their political-economic power. For non-elites, however, political participation merely represents a symbolic substitute for power and a way to legitimate their subordinate social position.

The Imperative of Market Confidence

Pandya (2016) suggests yet another explanation for why public-private schemes have become popular within the context of financialization. The author argues that these schemes minimize political risk and improve predictability for investors, which serves to shore up market confidence. As the author observes, "if policy-making institutions have checks and balances that inhibit rapid change, leaders are necessarily more constrained, and *ex post* policy changes are less likely" (p. 463). Indeed, I argue throughout this manuscript that the need to preserve market confidence imposes itself as an imperative of economic governance in contemporary capitalist states; and especially developing ones that continually teeter on the brink of fiscal crisis. Much of this argument draws on the neo-Marxist analysis of Fred Block (2010b), which shows why capitalist interests tend

to impose themselves in policymaking, even in instances where state managers may be antagonistic towards them. To be sure, Block employs the term *business confidence* to refer to the aggregation of individual capitalists' decisions about "their rate of investment in a particular country" (p. 59). These decisions are further predicated on:

[...] a variety of specific variables such as the price of labour and the size of the market for a specific product. But there is also an intangible variable—the capitalist's evaluation of the general political/economic climate. Is the society stable; is the working class under control; are taxes likely to rise; do government agencies interfere with business freedom; will the economy grow? These kinds of considerations are critical to the investment decisions of each firm. (p. 59)

While Block applies the concept to both commercial and capital markets, the term *business* can often connote the former more than the latter. I, therefore, use the term *market confidence* to underscore the increasing relevance of the financial sector in the global economy.

Block's analysis (2010b) emerges in response to the famous Miliband-Poulantzas debate of the late 1960s and early 1970s. Miliband offered a traditional Marxian view of corporate dominance over policymaking by attempting to show that state managers are pulled from the capitalist class and, therefore, tend to reflect their class interests in governance. Poulantzas, however, rejected this instrumentalist view of the state, arguing instead that the state serves an objective function of organizing relations between the capitalist class and workers that is separate from and transcends the desires of individual capitalists. In other words, Poulantzas (1969:73) claims that "the direct participation of members of the ruling class in the State apparatus is not the cause but the effect" of its capitalist character. Equally, Block is not convinced that the business community acts with the type of class-conscious coordination that Miliband suggests. In fact, he argues that capitalists often take decisions that are short-sighted and irrational and that the

business community is often divided by conflicts between firms. Nor is the state a mere conduit of capitalist interests, devoid of all autonomy. Rather, Block acknowledges that state managers frequently seek to resist the influence of corporate elites. This, however, does not free the state from the wider political-economic relations within which it is embedded.

How, then, do states come to structurally reflect capitalist interests in the absence of a class-conscious, politically-directive ruling-class? It is here that Block (2010b) argues that state managers—even ones that are elected on a Leftist platform and receive widespread support from workers—become constrained by the imperatives of market confidence. Incumbents must rely on tax revenues to fund their political programmes. Without sufficient capital investment, economic activity slumps, causing a reduction in these tax revenues. The problem for incumbents, then, is that the pursuit of policies that are antagonistic towards capitalist interests effectively lowers business confidence, leading to capital flight and economic contraction. Moreover, in the context of liberalized financial markets, state managers lack the ability to impose controls on the movement of capital. For Block, defiant incumbents soon find themselves out of office as the high levels of economic inactivity and unemployment prove too much for even the most sympathetic population to shoulder.

Block (2010b) is careful to note that this argument is not simply a restatement of the instrumentalist view of the capitalist state, since the idea of business confidence (which is merely an aggregation of the sentiment of individual capitalists in response to their narrow self-interests) is different from a collective political consciousness of ruling-class. Moreover, he points out that, to act in the name of capital, the state must be

prepared to act against the particular interests of capitalists. In other words, state managers may pursue policies that disfavour the interests of individual economic elites, the better to protect the capitalist structure of the economy. In fact, Block claims that states are more likely than capitalists themselves to advance the general interests of capitalism because they do not operate on the basis of narrow profit maximization and possess the tools to intervene broadly in the economy and to shore up investment. This partially explains why capitalist states have been willing to enact social and labour protections that increase economic productivity and general social stability even where capitalist interests might oppose them as fiscally irresponsible. Therefore, “[...] the state act[s] in the interests of society as a whole when it passe[s] protective legislation, and yet the same [i]s true when it passe[s] pro-market laws; it clearly [does] not belong to either of these forces” (Block and Somers 1984:68). Crouch’s (2011) examination of the unravelling of the embedded liberalism at the end of the 1960s lends empirical support to Block’s analysis. As mentioned above, the author argues that the pursuit of full employment by the governments of advanced economies produced stagflation as increasing salaries drove up labour costs. In response, capitalists disinvested from the economy, causing widespread unemployment. For Crouch, these policies not only led to Leftist governments falling out of favour with the electorate, but also strengthened attempts to undermine trade unionism and worker protections.

However, Block pays inadequate attention to another source of revenue generation. Governments that face shortfalls in tax revenue often turn to borrowing on the international capital market (which, admitted, can be considered a future tax on citizens). Here again, the confidence of capital markets proves pivotal for governments’ ability to

finance their budgets through credit. Evidence of the centrality of market confidence in this regard can be found in Frieden and Walter's (2017) account of the Eurozone crisis. As larger export-oriented economies in Northern Europe accumulated savings after the Great Recession, the poorer economies to the South took advantage of the excess liquidity and low interest rates to finance public expenditure. The inflow of cheap credit supported higher levels of growth in the South compared to the Northern economies. This, in turn, inflated asset prices and attracted even more external funding. At its root, the authors argue, the Eurozone crisis was not a sovereign debt crisis. Rather, it primarily involved debt accumulated by private borrowers in Southern economies. However, the authors contend that Southern European governments faced little choice but to intervene to assume some of this private debt after "a loss of confidence in the banking system [led] to a more generalized loss of confidence in the economy" (pp. 376-77). The Southern governments' acquisition of junk assets then led to an uptick in public debt, which undermined their creditworthiness and put them on the brink of a debt default. The European Union's framing of the crisis as being the fault of fiscal profligacy on the part of Portugal, Italy, Ireland, Greece, and Spain—derisively referred to as the PIIGS—as opposed to reckless lending practices by Northern financiers, or poor monetary policy on the part of the Union, further underscores how pro-capitalist framings come to dominate economic discourse (Blyth 2013; Sanchez-Cuenca 2017). Equally, the constraints placed on the Southern governments effectively meant that the gains of economic growth during the boom years were privatized, while the losses were socialized as the debt bubble unravelled.

Krugman (2009) has also noted the importance of market confidence in the context of a globalized financial economy where speculation can reinforce crises. The economist argues that:

Because speculative attacks can be self-justifying, following an economic policy that makes sense in terms of the fundamentals is not enough to assure market confidence. In fact, the need to win that confidence can actually prevent a country from following otherwise sensible policies and force it to follow policies that would normally seem perverse (p. 113).

Krugman references the case of Brazil's fiscal crisis in 1988 in this regard. At the time, capital markets decided that Brazil presented too much risk because of its budget deficit, even though its deficit was considerably less than many other European countries and Japan. Here, the economist underscores an important point about market confidence: it reflects a socially-constructed attitude towards the public finances of particular countries. Its effects are quite material, however. As Krugman notes:

But what was the use of arguing? Investors believed that Brazil would have a disastrous crisis unless the deficit was quickly reduced, and they were surely right, because they themselves would generate that crisis. (And indeed they did, in January 1999.) (p. 113).

In seeking to preserve market confidence, governments hope to produce a couple of outcomes. First, they hope to encourage capitalists to invest. Second, they wish to get creditors to finance government spending at favourable interest rates. Harvey (2007:70) hints at these two orientations in his characterization of neoliberal governance as “aris[ing] out of the need to create a ‘good business or investment climate’ for capitalistic endeavors” and prioritizing “the integrity of the financial system and the solvency of financial institutions over the well-being of the population.” As I outline below, both orientations—which ultimately structure economic policy in favour of capitalist interests—have important implications for political-economic relations.

Courting creditors

Governments increasingly rely on the growing supply of credit in financial markets to fund public expenditure (Streeck 2017). In 2001, while gross government debt stood at 70 per cent of GDP in advanced economies, it had attained 104 per cent in 2019 (International Monetary Fund 2020f). Although the increase has been more gradual for developing and emerging economies—moving from 47 per cent of GDP in 2000 to just under 52 per cent in 2019 (International Monetary Fund 2020g)—the IMF has classified more than three dozen of these countries as heavily-indebted. The Fund has also labelled 40 per cent of low-income countries as wrestling with debt distress or high-risk debt levels (International Monetary Fund 2019b, 2020a). This increase in global public debt has led to widespread concerns of an impending sovereign debt crisis. Still, what they lack in terms of robust public finances, states often seek to make up through statutory regimes that institutionalize fiscal austerity. The European Union, for example, adopted the Pact on Stability and Growth in 1998. The pact sets limits for public debt (60 per cent of GDP) and public deficit (3 per cent of GDP). Similarly, the 2012 Fiscal Compact establishes a balanced-budget rule and an automatic correction mechanism where countries exceed the debt limit (Sanchez-Cuenca 2017). Even in the United States, where authorities are admittedly less constrained by deficit spending due to the dollar's status as the international reserve currency, the Congress has instituted "Pay-As-You-Go" budgetary rules requiring that any new spending be offset by cuts to existing entitlement programmes or additional tax revenues (Congressional Budget Office 2020).

These fiscal rules are likely to have negative consequences for economic growth. Noting that austerity policies have proliferated in the wake of the Great Recession, a study by Woo et al. (2013) finds that fiscal tightening worsened unemployment and increased

economic inequality in advanced and emerging economies over the last three decades. Nor should the irony be lost that while governments have strengthened the authority of financial actors by deregulating capital markets, states have increasingly fashioned a regulatory regime designed to limit their own fiscal prerogatives in order to appease these very market actors. Jean-Claude Trichet (2010), the former head of the European Central Bank, has been clear that austerity engenders market confidence. In a 2010 interview, the official touted the “confidence-boosting effects” of fiscal consolidation, arguing that:

As regards the economy, the idea that austerity measures could trigger stagnation is incorrect. In fact, in these circumstances, everything that helps to increase the confidence of households, firms and investors in the sustainability of public finances is good for the consolidation of growth and job creation. I firmly believe that in the current circumstances confidence-inspiring policies will foster and not hamper economic recovery, because confidence is the key factor today.

For debt-ridden developing economies that suffer from structural weaknesses such as low capitalization and a large informal sector, it is particularly difficult to raise tax revenues through increased business activity. Capital markets tend to have little faith in their long-term creditworthiness and demand higher interest rates to offset the elevated risk of default. When poor countries face unsustainably high interest rates (often described as being “locked out of the international capital market”), these countries have little choice but to rely on loan assistance from multilateral lending institutions who act as a lender-of-last resort. While these institutions offer below-market interest rates, this assistance invariably comes with stringent conditionalities. Moreover, because the prominent Washington-based multilaterals follow the prescriptions of the IMF, these conditions tend to insist upon austere fiscal and monetary policies.

While austerity policies do reflect an ideological commitment to free markets (as I have argued above), they are also motivated by the fact that they provide material benefits

to capitalists. To wit, institutions like the IMF prioritize spending cuts and increased taxes, which improves the fiscal balance and, thereby, provides a greater cushion for creditors to get paid. These institutions also push for tight monetary policies that produce lower inflation. Moreover, they tend to push legislation that creates independent central banks and removes monetary policies from the central government. While these policies help preserve the value of assets, Babb (2005:212) notes that reducing inflation to the levels desired by the international financial community requires high interest rates. This policy, in turn, leads to lower investment, as those with capital find more attractive returns in high-yield government bonds as opposed to investing in the productive sector. To incentivize productive investments, governments must therefore use policy tools to offer favourable returns beyond those that the free market provides.

Incentivizing investors

Since the 1970s, global flows of foreign direct investment (FDI) have increased significantly. Indeed, between 1980 and 1997 alone, global FDI outflows increased at an annual average of 13 per cent (twice the growth rate of global production and exports); while developing countries' share in these flows increased from 26 to 37 per cent (Mallampally and Sauvant 1999). Against this backdrop, governments have sought to compete among themselves to attract these capital flows. Governments seek to entice investors by offering tax concessions and a favourable regulatory environment. These incentives—as opposed to, say, subsidies or research and development support—appear especially attractive to developing countries because they do not require additional spending of limited public resources. Indeed, Babb (2005) has observed the rise of export-processing zones (EPZs)—i.e. special manufacturing areas where governments offer investors exemption from taxation and domestic regulations—in the developing

world. According to the World Bank, whereas only a handful of such zones existed in 1970, by 1996 there were over 500 EPZs in 73 countries (World Bank 1998).

However, recent studies cast doubt of the effectiveness of incentives for foreign corporations, suggesting that they have no effect on firms' location decisions and serve to weaken public finances (Baccini, Li, and Mirkina 2014; Jensen 2012; Oman 2000). Scholars also argue that policies that incentivize FDI create a race to the bottom as countries offer ever-more favourable concessions to outdo competitors (Mehmet and Tavakoli 2003; Oman 2000). Critics also suggest that openness to FDI flows increases the potential for fiscal crises and forces taxpayers to endure expensive stabilization programmes (Campbell 1993:167). Finally, FDI flows can have undesirable implications in times of crisis because they bend governments to the geo-political interests of investors. Meunier (2014) has argued that the Eurozone crisis provided the context for Chinese FDIs to face less political resistance after Southern European economies were forced to sell off public assets at bargain prices to raise revenues. The author shows that, to court these investments, many of these states offered a fast-tracked approval process, a slew of tax incentives and political promises favourable to China's foreign policy interests.

Despite these findings, FDI incentives schemes continue to be popular across both developing and developed economies as a means of driving 'competitiveness'. Indeed, since the 1990s, a number of scholars have observed the increasing tendency for fiscal competition among states in the context of globalization (Cerny 1997, 2010; Jessop 2015). Cerny (2010) has gone as far as to theorize that competitiveness is the new *raison d'Etat* of modern capitalist societies, if not the 'raison du monde' of the international

system. The author (1997) argues that in the wake of the oil crises of the 1970s, 'competition states' began remaking economic statecraft in four ways: 1) by widely adopting policies that promote deregulation; 2) by shifting their policy focus from macro-economic (economy-wide) to micro-economic (firm-level) intervention, 3) by emphasizing neoliberal monetarism; and 4) by shifting away from welfare maximizing goals (full employment, redistributive transfer payments and social protections) to the promotion of enterprise, innovation and profitability in both the public and private sectors. At the heart of these changes is an attempt to have the state and wider economy gain a 'competitive advantage' by becoming more nimble and flexible, the better to respond to competitive global conditions in an increasingly open, diversified and rapidly-changing international market. Others scholars (Krugman 1994; Reinicke 1995) see competitiveness as an "obsession" that has come to be taken-for-granted, despite being empirically unfounded. Although they doubt its practical importance in shaping the relative fortunes of different economies, they view competitiveness as a powerful discursive tool for legitimating pro-capitalist policies. Reinicke (1995), for example, has shown that concerns over increasing global financial competition were increasingly expressed as a rationale for the deregulation of U.S. financial markets in the 1980s. Finally, Krugman (1994) has argued that the "obsession with competitiveness is not only wrong but dangerous, skewing domestic policies and threatening the international economic system."

Democracy and Capitalism

While neoliberal policies are often purposefully formulated and rationalized in non-political terms, they, in fact, have profound implications for political life. In the case of the 1997 Asian crisis, Thirkell-White (2005) argues that the IMF's promotion of market-driven

systems for allocating capital reshaped a number of social outcomes including inter-ethnic wealth distribution, corruption, authoritarianism and democratization. For the author, then, “it is simply inadequate to think about the impact of IMF programmes in developing countries in purely economic terms” (p. 3). Streeck’s (2017) research also poses an inherent tension between democracy and capital. The scholar theorizes that the two were forced into an uncomfortable arrangement during the post-war period of embedded liberalism. However, with each crisis since then, free market advocates have increasingly made the case that markets are more efficient in the absence of government regulation. Consequently, capital has become progressively disembedded from the constraints of democratic society. Streeck sees this development as transforming countries into “consolidated states” where the conditions that made welfare and other social protections possible in the immediate post-war context eventually disappear. The consequence of this new political configuration is that an ever-shrinking share of government revenues is available for discretionary spending and social investment. Furthermore, Schafer and Streeck (2013:1) see this development as increasing political apathy as electors perceive projects for political change as lacking credibility.

Streeck (2017) views the European Union project as typifying the process of state consolidation. According to this view, the EU, which began as an attempt to create a social-democratic supranational state, has come to focus principally on competitive adjustment to global markets. Sanchez-Cuenca (2017:353) also views “the constitutional entrenchment of economic policy at the European level [as] the other major ingredient of the depoliticization of European affairs.” In a detailed study of the Union’s response to its post-recession sovereign debt crisis, the author contends that the so-called *troika*—

consisting of the European Central Bank (ECB), European Commission and the IMF— took the primary role in determining the member-countries’ response to the crisis, while the European Parliament and national parliaments—which are less politically-insulated from electors—played only a marginal role. Moreover, the author contends that their interventions were often motivated more by political considerations than technical ones. To prove this point, Sanchez-Cuenca recalls that the ECB sent letters to the prime ministers of Ireland, Italy, and Spain outlining specific policy reforms that the countries needed to follow if they wanted to receive financial help from the institution. In the case of Greece, the ECB also drained liquidity from their domestic banks in response to the SYRIZA-led government’s decision to hold a referendum on a proposed third bailout.

At the core of Block’s (2010b) thesis on why states reflect a pro-capitalist character is a notion that political actors defer to the market in a bid to preserve confidence. While Block vests the state with a kind of embedded autonomy that allows it to resist the parochial interests of individual capitalists (by advancing social protections, for example), this resistance ultimately appears as an attempt to preserve the stability of the capitalist order. This analysis is, however, limited in the sense that it does not allow for state actors to pursue other short-term objectives that may become more urgent, even when these actors generally recognize the importance of preserving market confidence over the long-term. In times of war or natural disasters, for example, state actors may pursue policies that undermine market confidence and bring a halt to normal business activities. More commonly, however, democratic incumbents may pursue politically-expedient short-term objectives that undermine market confidence in the run-up to elections, thinking that they can regain it once re-elected.

Markets seem to understand this especially well. Martinez and Santiso's (2003) study of Wall Street's reaction to political events finds that elections are frequently associated with an increase in interest rates on government bonds as well as a worsening of ratings agencies' assessment of their creditworthiness. The authors observe that the three major economic crises that took place in Latin America prior to their writing (Mexico in 1994, Brazil in 1999 and Argentina in 2001) occurred during corresponding election years (p. 366). They also note that at least nine other developing economies experienced crises during an election year in the 1990s. Finally, they remark that, on average, elections in emerging markets are associated with a decline of one credit rating level on a 17-point scale (p. 366).

The deterioration of developing countries' credit risk profile during elections is largely attributable to markets' concerns that these governments overspend their budgets to attract voters—an assessment which appears borne out by the empirical data. Here again, Martinez and Santiso (2003:367) point to a study of 123 countries showing that fiscal deficits tended to be on average 1 percent of GDP higher in election years. For countries with a non-competitive electoral system, however, election-year spending was not significantly different from other years.

Additionally, a loss of confidence can arise in cases where a candidate who has won, or is likely to win, is perceived to be unfriendly to capitalist interests. To avoid the consequences of capital flight, these candidates must often take quick and decisive measures to reassure markets. Martinez and Santiso (2003) reference the election of Lula da Silva in Brazil in this respect. A Leftist populist, Lula rose from a shoeshine boy to a mechanic, and then to leader of the Sao Paulo auto-workers' union, fighting against

the military regime and organizing strikes during the 1970s. Two of his opponents, a former fund manager for billionaire George Soros and an ex-executive director of the World Bank, were the preferred candidates of Wall Street interests. To appease them, however, Lula appointed the former chairman of the Brazil Stock Exchange as his vice-presidential running mate. Similarly, Sanchez-Cuenca (2017) notes that, in the midst of the Eurozone debt crisis, representative governments of Greece and Italy were replaced by technocratic cabinets. In the former case, George Papandreou was forced to step aside as Prime Minister and replaced by a former governor of the central bank after announcing intentions to hold a referendum on the second Greek bailout. In Italy's case, Silvio Berlusconi was ousted by a parliamentary manoeuvre, and replaced by an ex-head of the European Commission. It is this tendency for markets to punish leaders who do not fall in line with market diktats that leads Martinez and Santiso (2003:387) to conclude that possessing "the 'right' background (a U.S. education with experience and contacts in the financial circles of New York and Washington) has become a necessary (but not sufficient) precondition to playing the confidence game successfully."

Summary

In summary, the literature on fiscal crises underscores the challenges that countries—and developing ones, in particular—confront in managing budget shortfalls. Furthermore, the deregulation of global finance has served to accentuate these challenges. Whether these crises arise directly from government overspending or from state interventions to stabilize financial markets, they invariably result in a loss of confidence in the government's public finances. To regain this confidence, governments continually seek to reorient economic governance towards the interests of market actors

at the expense of social welfare. Moreover, this reorientation has increasingly converged on a (post-)Washington Consensus model of crisis management, founded in Anglo-American neoliberal ideology. In particular, this consensus emphasizes the need for fiscal and monetary austerity policies that serve to preserve the value of capital and ensure that creditors get paid, irrespective of the social costs or the potential to stunt growth.

As countries seek to avoid the disruptive economic consequences of capital flight in a financialized global economy, they have increasingly sought to preserve market confidence by entrenching capitalist interests at the centre of economic governance. Notably, countries have placed statutory limits on their fiscal prerogatives and conferred new policymaking and oversight powers to private actors. These changes bring to light the tensions—long noted by fiscal sociologists—between social welfare and democratic governance, on the one hand, and market imperatives and elite rulership, on the other. Drawing on Jamaica’s experience managing its fiscal challenges in the post-recession period, this manuscript insists upon the relevance of market confidence as a mechanism through which scholars interested in economic and development sociology should understand contemporary neoliberal governance and the increased marginalization of the social sector.

Data and Methodology

This dissertation investigates Jamaica’s political and policy response to its fiscal challenges in the wake of the Great Recession. In doing so, it seeks to demonstrate the analytic relevance of market confidence in influencing the course of contemporary economic governance and structuring wider political-economic relations, particularly in developing countries that face chronic budgetary shortfalls. The study integrates neo-

institutionalist and neo-Marxist approaches to analysing political economy. It is neo-institutionalist because it emphasizes both the constraints and opportunities that arise from formal and informal interactions and the reliance on institutional myths and the logic of confidence as elites react to global and domestic dynamics (DiMaggio and Powell 1983; Meyer et al. 1997; Meyer and Rowan 1977). It also borrows from Marxist thought in that it reflects an understanding that “the mode of production of material life conditions the general process of social, political and intellectual life” (Marx 2010:92). However, it bypasses Marx’s focus on the conflict between labour and capital as the central dialectic of capitalist development, instead recognizing, as Block (2010b:34) argues, that “the Marxist concept of class [...] tends to exclude the possibility that non-class social actors could play a significant role in determining historical outcomes.” Thus, while material conditions serve as the basis for organizing social life, the ideas and practices characteristic of contemporary market economy emerge from and are structured by social processes that implicate a range of domestic and foreign actors.

Epistemic Framework and Motivation

This institutionalist-Marxist orientation towards political economy is aptly summarized by O’Hara (2007:6) as:

A realistic interdisciplinary study of the dynamic structure, evolution and transformation of human action within socioeconomic systems, paying particular attention to the reproduction, functions, contradictions, and unstable dynamics of the institutions of production, distribution, and exchange of material and immaterial resources within a social and ecological environment through historical time. (my emphases)

The study’s epistemic framework is realistic because it eschews inferences based on rational-choice abstractions and formalized models in favour of interpretative conclusions based on socially-grounded empirical examination. Unlike neoclassical

analysis, it accords primacy to political and cultural factors—such as how the vestiges of colonialism structure market interactions or how the geo-political dominance of advanced economies influences lending decisions—in producing social outcomes. The analysis centres on human action within socioeconomic systems insofar as it seeks to understand Jamaica’s post-recession economic reforms in terms of the motivations and interests of institutional actors from the state, private sector and multilateral organizations, as well as the institutional resources and cognitive mappings on which they pull to exercise influence. It recognizes, for example, that the notion of market confidence is socially co-constructed through a complex network of financial actors who rely on signalling from multilaterals like the IMF and on a certain heuristic understanding of how developing states behave fiscally. It is dynamic because it emphasizes the importance of historical contingency and cumulative causation in the understanding of contemporary social systems. For instance, this study situates fiscal crises and the popularity of austerity policies in terms of the wider financialization of the global economy and the intellectual history of (neo)liberalism. Additionally, it treats this dynamic as fundamentally unstable, in large measure due to inherent contradictions and tensions in social systems. In this sense, it underscores the social failures hidden beneath Jamaica’s successful structural adjustment programme, the ways in which social partnership can obfuscate corporate dominance, and the incongruencies in elite and non-elite understanding of the role of government. Finally, it examines social processes in relation to material and non-material outcomes for both the elites who are directly involved in policymaking and the non-elites who are not. Here, the study demonstrates that austerity measures and structural reforms ignore the material concerns of non-elites and further their social disempowerment.

Streeck (2017:88) has bemoaned the fact that “little is known about the power relations between national peoples and the *Marktvolk* [international market actors], and how they impact on the ongoing negotiations over the ‘terms of trade’ between the two.” Indeed, to the extent that the world of finance has become a core subject matter within the social sciences, this focus has been around behaviouralist approaches to understanding human action (as in the case of behavioural finance). The lack of an empirically-rooted sociological understanding of finance is understandable when one considers that the world of finance is often obscure and difficult to access. Indeed, one of the shortcomings of my own study is that I was not able to speak to foreign creditors and investors directly about their perceptions, which lie at the core of market confidence. In fact, in the case of creditors, it may well be impossible to identify who precisely owns Jamaica’s debt since public bonds are often (re-)packaged with other financial instruments and resold many times. Still, the impact of the Great Recession has led to a resurgence of sociological interest in finance. This dissertation aims to contribute to that resurgence by providing a multi-level sociological analysis that touches on macro-structural constraints within the international economic system; meso-level relations between multilateral institutions, the Jamaican state and sectors of the society; as well as micro-political interactions among interest groups and institutional actors jostling for influence. In doing so, it provides a rare insight into the inner workings of elite policy circles and how market confidence serves as a legitimating principle for advancing capital-friendly policies.

Jamaica’s post-recession economic reforms also prove to be a particularly useful case study for understanding the fiscal pressures that states experience. They highlight

the potential for these pressures to create opportunities for powerful actors to remake state institutions and wider political-economic relations, particularly in moments of crisis. This is because Jamaica represents a rare instance of a country that was among the most indebted in the world and rapidly approaching debt default. The Jamaican case is also exceptional in that it was viewed within the global financial community as a uncommon example of successful structural adjustment and an exemplar for other developing countries after it achieved one of the highest primary surplus levels of any non-oil-rich country (Johnston 2015). Thus, Jamaica represents an 'extreme case' for understanding contemporary fiscal and financial dynamics. As Gerring (2006:101) argues, extreme cases are analytically useful because they are "considered to be prototypical or paradigmatic of some phenomena of interest," and, therefore, are as close as researchers get to 'ideal types' in the empirical world.

Still, a limitation of this study is that the empirical matter is confined to the Jamaican case. Multi-case studies, particularly those that are comparative, are often more insightful because they allow researchers to identify convergent and divergent patterns and provide better scope for generalizations. The understanding of the importance of market confidence for shaping economic governance could be deepened by contrasting developed and developing country experiences. Future research might also seek to compare the Jamaican case with that of Greece. Whereas Jamaica became an exemplary disciple of IMF-mandated reforms after 2012, the Greek people sought to push back against the diktats of the IMF and European Union by electing SYRIZA, a coalition of far-Left political parties, in the midst of the crisis. I expect, therefore, that the analytic

juxtaposition of both cases would prove insightful in understanding the limits and advantages of pushing back against market diktats.

While I analyse several aspects of Jamaica's reform efforts, I focus particularly on how the reforms impacted the distribution of the tax burden. Taxation has been the major focus of fiscal sociology since the inception of the sub-discipline. As scholars have noted, comprehensive tax reform is difficult to accomplish because it often redistributes wealth and has far-reaching consequences for state capacity, democracy and the material interests of its citizens (Barzel and Kiser 2002; Martin, Mehrotra, and Prasad 2009; Rose and Karran 2018). Tax reform is also quite rare, usually occurring in moments of severe crisis. It is precisely because tax reform elicits such widespread interest and contestation among different social groups that it tends to reveal the nature of power relations in society. My analytic approach draws inspiration from Campbell's (1993) *Conceptual Model of Taxation*. Campbell suggests that sociologists move beyond the narrow focus on public finances to examine the social interactions and institutional and historical contexts tied to particular public finance arrangements. Campbell's model departs from the proposition that pressures for transformation in the tax structure originate with geopolitical, economic, or fiscal crises to which political actors must respond. In formulating a response, political actors interface with a range of non-state social groups with different expectations and levels of tax tolerance. Finally, this interface occurs within given institutional settings and relies on the effective mobilisation of institutional expertise, resources, and capacity.

Data Collection

The study's findings rely on data gathered from 50 interviews and scores of primary source documents. To gather data on the policymaking process, the interests and motivations of those involved in the process, and the constraints and opportunities that the process presented, I interviewed 23 of the persons involved. I collectively refer to these persons as 'policy elites' throughout this manuscript. All elites in the study directly contributed to the formulation or monitoring of IMF-prescribed reforms at a senior level between 2008 and 2019. They include senior members of government, multilateral country representatives and technocrats, prominent business leaders and trade union leaders. All elite interviewees either directly participated in the drafting of reform legislation, lobbied the government regarding legislation, and/or sat on oversight committees that monitored the reform.

To gauge (non-elite) public sentiment regarding the reform, I also interviewed 27 ordinary Jamaicans. Admittedly, this does not constitute a scientific sample of the views of the Jamaican society. However, I do not consider interviewees simply as discrete units of analysis in a wider population, as does a quantitative researcher. Rather, these qualitative accounts offer a reading of the social landscape that non-elites inhabit, grounded as much in their own experiences as in their folk knowledge of the experiences of others in their social world. Viewed in this way, even a single interviewee can still offer tremendous insight into the social world of ordinary Jamaicans in ways that do not hold for a single observation in a statistical distribution (Burawoy 2016).

Table 1 below provides a breakdown of the role that interviews played in relation to the IMF-prescribed reforms and gives a broad indication of the types of information I

solicited. These interviews were conducted in a semi-structured manner. This format afforded the chance to ask similar questions to interviewees in the same group, allowing me to corroborate certain accounts and treat others as disputed. For example, while IMF representatives told me that they only negotiated with government officials, certain non-government actors recounted specific instances—later supported by government officials themselves—where they participated in negotiations with Fund representatives and government officials. At the same time, semi-structured interviews facilitated follow-up questions in response to information provided. Asking follow-up questions allowed me to pursue lines of inquiry that I would not have anticipated before the interview, particularly where it concerns information about informal interactions and discussions that were not reported in policy documents or media reports

Table 1: Role in Policy Process and Types of Questions Posed to Interviewees

Interviewee Category (No. of interviewees)	Role in Tax Policy Reform	Relevant Questions
<p>Representatives of multilateral institutions based in Jamaica (6)</p> <p><i>of which:</i></p> <p>IMF (3)</p> <p>IDB (2)</p> <p>World Bank (1)</p>	<p>Produce knowledge about Jamaica’s economic situation</p> <p>Negotiate structural adjustment goals with government</p> <p>Provide funding and technical assistance to assist government</p> <p>Set policy conditionalities tied to funding</p> <p>Monitor reform implementation consult with government, private sector and civil society</p>	<p>What was their role in the reform process?</p> <p>What was their assessment of Jamaica’s issues and why?</p> <p>What leverage did they have and exercise?</p> <p>What kind of assistance did they provide and how?</p> <p>What reforms did they prescribe/support and why? Were they achieved?</p>

Table 1: Role in Policy Process and Types of Questions Posed to Interviewees

		Who did they interface with? Were they influenced by or did they influence views of government and non-government actors?
<p>Government (6) <i>of which:</i></p> <p>Finance Ministry (3)</p> <p>Industry Ministry (1)</p> <p>Tax Administration (1)</p> <p>Central Bank (1)</p>	<p>Negotiate terms of and implement structural adjustment</p> <p>Set policies to distribute public resources, in consultation with multilaterals and the private sector</p> <p>Hold consultations with private sector, labour unions and civil society groups</p> <p>Meet political and social demands of the business community and taxpayers</p> <p>Define long-term objectives for achieving growth and development</p>	<p>What were the constraints facing the government that led to engaging the IMF?</p> <p>How much autonomy did they have in formulating policies?</p> <p>What non-government actors do they meet with/appoint to public-private committees and why?</p> <p>How much influence did these actors have?</p> <p>What were the policy aims of reforms?</p> <p>What attributed to their success/failure?</p>
<p>Non-Government (11) <i>of which:</i></p> <p>Financial sector (1)</p> <p>Manufacturing (1)</p> <p>Tourism (1)</p> <p>Stock Exchange (1)</p> <p>Small Business Assoc (1)</p> <p>Other Industry (2)</p>	<p>Participate in policymaking</p> <p>Consult with government and multilaterals in informing and defining economic issues</p> <p>Lobby for policy changes</p> <p>Monitor policy implementation</p> <p>Inform their members and wider public / Offer support or criticism</p>	<p>Why were they selected/not selected to participate in policymaking and oversight? What resources/expertise did they bring?</p> <p>What were their policy positions during the reform period? Through what formal/informal mechanisms did they seek to realize them? How did these mechanisms come about?</p> <p>What kind of influence do they exercise over policy? How is this influence different for different groups?</p>

Table 1: Role in Policy Process and Types of Questions Posed to Interviewees

<p>Public Sector Unions (2)</p> <p><i>Others:</i></p> <p>Financial Analyst (1)</p> <p>Economist (1)</p>		<p>Did they benefit/lose out in any way from policy decisions? Who do they think benefited/lost the most?</p> <p>Did they have concerns about the process? Was it effective? Did it allow for accountability?</p>
<p>Non-Elite Taxpayers (27)</p> <p><i>of which:</i></p> <p>Formally unemployed at time of interview (5)</p> <p>Self-employed (Vendor, Contractor, Taxi Driver, Freelancer) (9)</p> <p>Low-wage employee (8)</p> <p>Micro/Small Business owner (5)</p>	<p>Inform themselves on policy changes</p> <p>Make demands directly to political representatives or through associations to policy elites</p> <p>Evaluate impact of reform and offer support/criticism of policies</p> <p>Form attitudes on what Jamaica's economic priorities are and should be</p>	<p>What did they know about post-recession reforms?</p> <p>Did they seek to influence the policy process in any way? By what means?</p> <p>How have policy changes affected them? Who do they think benefitted or lost from the process, and why?</p> <p>What policy demands do they have? What mechanisms are available for representing their demands?</p> <p>Do they feel represented? Whose interests do they think are most reflected in government policy?</p> <p>What are their attitudes towards multilaterals, government, the private sector and unions?</p>

I gathered three types of primary source documents:

1) *official documentation* produced by the Jamaican government, multilateral institutions, and private sector associations. These documents allow me to understand the policy positions of different actors and groups involved in the IMF reform, what they

identified as policy priorities for Jamaica's economic success and how they justified these positions and priorities. Official documentation includes three IMF staff reports of Jamaica's performance under the 2010 Stand-By Arrangement, thirteen reports under the 2013 Extended Fund Facility, six reports under the 2016 Precautionary Stand-By Arrangement and three Letters of Intent and the Memoranda of Financial and Technical Understanding. These documents outline the formal macro-economic and policy objectives associated with Jamaica's post-recession reform efforts.

I also compiled 171 IMF press releases, speeches and other documents containing the keyword 'Jamaica'. To capture fiscal challenges specific to the post-recession context, I chose documents from 2008, when the Great Recession began, to 2019, when I stopped collecting data for the project. I also searched for documents with the same keyword and dates on the World Bank's website. Because this returned over 700 documents, I further narrowed the search criteria to only include documents classified as relating to 'international economics and trade' and 'macroeconomic and economic growth'. This returned 173 documents. To gather documents from the Inter-American Development Bank, I used the same keywords and date criteria, filtering for the following pre-defined topic filters: 'fiscal policy', 'public administration', 'tourism', 'poverty', 'investment' and 'public debt'. This search returned 78 documents. These documents provide insight into how the multilaterals viewed the policy implementation process and any concerns they had.

I also consulted the monthly communiqués issued by the Economic Programme Oversight Committee (EPOC). The committee issued 41 monthly press releases between May 2013 and October 2016. These communiqués track the implementation of the IMF

programme targets, and were obtained from www.digjamaica.com, a digital archive run by Jamaica's flagship newspaper, the *Jamaica Gleaner*. I also gathered 30 communiqués relating to the 2016 Precautionary Stand-By Arrangement that were published by EPOC between January 2017 and November 2019 and that were available at www.epocjamaica.com. Together, these documents provided an indication of any concerns that bondholders had with the process.

Finally, I gleaned information from several miscellaneous sources. These include an 2012 IMF Working Paper on debt restructuring in Jamaica written by Grigorian, Alleyne and Geurson; an October 2012 policy framework for Public-Private Partnership published by the Development Bank of Jamaica; a January 2014 Tax Administration of Jamaica bulletin announcing changes to tax incentives; and a 2011 commentary on tax reform written by a PriceWaterhouseCoopers Jamaica consultant. In some cases, interviewees also provided me with copies of reports. This was the case for the Jamaica Hotel and Tourist Association's annual reports and copies of previous tax reforms during the 1980s.

2) *working papers and legislation* that emerged from public-private policymaking arrangements and that were passed into law as part of the IMF requirements. I consulted the 2012 parliamentary proposal and fact sheet produced by the Private Sector Working Group on Tax Reform as well as the 2004 Tax Policy Review Committee Final Report (commonly referred to as the "Matalon Report"). Both these reports reflect the policy position and advocacy of a broad coalition of powerful business interests. I also consulted the Incentives Working Group's 2012 White Paper on Tax Reform and the Roy Bahl-led 1980s tax reform initiative, which were public-private initiatives to redesign the tax system. I also read the 2013 *Omnibus Tax Incentives Act*, which included the *Fiscal Incentives*

(*Miscellaneous Provisions*) Act, the *Income Tax Relief (Large-Scale Projects and Pioneer Industries) Act* and the *Productive Input Relief Act* (2014). I also studied the 2016 *Income Tax Threshold Adjustment* that raised the income tax threshold for low-income workers. These documents allowed me to trace the origin of tax policy recommendations that were eventually passed into law and, thereby, infer which stakeholders were particularly influential in the process.

3) *online news articles* containing stories related to the reform. These articles were gathered from the online websites of Jamaica's major daily newspapers, the *Jamaica Gleaner* and the *Jamaica Observer*. Because the period under study (2008-2019) spans more than a decade, there are several thousand articles relating to the context leading up to Jamaica's re-engagement with the IMF as well as the EFF implementation. For example, a keyword search for 'incentives working group' on the *Jamaica Gleaner* website returned over 1,800 articles while a similar search for 'economic programme oversight committee' gave 2,750 results. Because it was not feasible to study all of these articles, I opted to use more targeted multi-keyword searches to provide supplementary information about issues which arose from other data. For example, when one non-elite interviewee mentioned that a prominent businessperson criticized other businesspersons for not passing on the benefits arising from the appreciation in the Jamaican dollar, I successfully searched for more information on these statements. I also relied on scores of online news articles to provide insights into the policy concerns of trade unions and the wage agreements they signed with the government since these appeared to be poorly documented elsewhere.

In addition to local articles, I consulted the online versions of the *Economist* magazine, the *Financial Times* and the *Wall Street Journal*, all of which are considered reputable sources for financial analysis. I also consulted *Alphaville*, a blog run by the *Financial Times* featuring analysis from financial experts and commentators. I used the keywords 'Jamaica+IMF' and selected a dozen stories that referred to the period under study. These sources provide insight into how Jamaica's reform efforts were perceived in the global financial community.

Selection and Recruitment

I spent six months conducting interviews in Jamaica from June to September 2017 and January to March 2018. To identify persons involved in the reform process, I initially consulted various online news sources and government documents. I identified persons who were members of multilateral institutions, the government, the private sector and trade unions who were involved in the policymaking process. At the end of each interview, I asked interviewees whether there were other persons to whom they believe I should talk. I then reached out to these individuals through their professional email address or telephone number, inviting them to participate in a study seeking to understand the role of public-private collaboration in Jamaica's successful completion of the EFF programme and in addressing the wider economic challenges faced by developing countries. I continued conducting interviews until I felt that I had spoken to at least one representative of each sector that put forward policy positions and contributed to the EFF reforms. I also continued interviews until I felt satisfied that I was not learning new information. For non-elite interviewees, I purposively sampled persons who belonged to different job

categories: unemployed, self-employed, employee, business owner-operator. I recruited these persons by circulating information about the study on social media and by word-of-mouth. I also recruited a third of these interviewees in person at malls, on college campuses and while walking on the street. Interviewees were recruited in Kingston and Montego Bay, Jamaica's two largest cities, as well as Lucea, a rural town.

Consent and Anonymisation

Each interviewee was provided with a consent form approved by the Internal Review Board of the University of Washington's Human Subjects division. The form outlined the goals of the study; types of questions I would ask; and how the interview data would be used, stored and destroyed. I also promised interviewees that I would remove personally-identifying information to anonymize their participation as much as possible. For non-elites, I have provided them with pseudonyms and excluded the names of the communities in which they reside in this manuscript. Because the policy elites who formulated the reforms under study belonged to a small circle, I emphasized to them that readers of this manuscript were likely to make assumptions that I spoke to several of them. Still, I considered the risk of harm from participation in this study to be low because their involvement in reforms was extensively covered in media and publicly available documents. They were also all either public servants or public-facing representatives of organizations and associations from sectors of Jamaican industry and society.

While their policy involvement was a matter of public knowledge, it was nonetheless important to provide anonymity to encourage elite interviewees to provide as much information as possible, particularly on informal discussions and networks that offer greater insight into the process. On a few occasions, interviewees did ask that I not

specifically cite certain discussions. However, these discussions are all related to heated or controversial exchanges regarding racial dynamics or blame for Jamaica's economic challenges and do not contradict the substantive conclusions of the study. Although I asked elites who else they thought I should interview, I did not confirm whether I would interview these persons with them. However, they might have reasonably inferred that I reached out to certain other individuals who played a prominent role in policymaking and oversight.

Data Coding and Analysis

I transcribed and coded all 50 interviews. Quotes attributed to elite interviewees in this manuscript reflect the exact words they used. However, several non-elite interviews were conducted in Jamaican Creole and translated into English during transcription. After transcribing, I uploaded the interviews into the *Atlas.ti* QDA software, which I used to code them. I categorized codes into three 'families': policy ideas codes, participant influence codes, political attitudes codes. Policy ideas and participant influence codes were used for elite interviewees. Political attitude codes were mostly used for both elites and non-elites. For policy idea codes, I identified five types of information: 1) content of policy idea being proposed; 2) phase during which idea is proposed (date, forum, participants); 3) proponent(s) of the policy idea and their rationale, 4) supporters or opponents, when they supported/opposed and their rationale; 5) whether the policy idea made it into the final policy. This allowed me to map the development of the policy content from its conception to formulation and implementation and understand the various debates and contestations that animated this evolution throughout different phases. For participant influence codes,

I coded for: 1) who the participants were at each stage of policy process, 2) why they were invited to participate and what associations they represented, 3) how they sought to influence the process, 4) the degree to which they were influential in the overall process, 5) the potential impact of reform on the participant (whether they pay taxes in Jamaica, own a business that lost or gained an incentive, etc.). This information allowed me to assess and compare influence across state, private and foreign elites who participated in the process. Concerning political attitudes codes, I coded for: 1) attitudes towards the reform and tax policy generally, 2) non-elites' experiences interacting with state and non-state elites (in public fora, private interactions, etc.) regarding tax or governance issues, 3) their membership or participation in associations, 4) demands they have and whether they feel these demands are adequately represented in tax reform collaboration. This information allowed me to understand how non-elites viewed the reform; their views on taxation, economic policy and social justice; and their perception of the legitimacy of the actors involved in representing their interests. While few non-elites knew the specifics of the IMF reform, they all shared opinions on the other issues.

Prior to my entree into the field, I wrote up a memo outlining what I gleaned from primary documents and media reports. Although I did not code these documents with the same level of detail as transcriptions due to time constraints, I drafted a timeline of the different aspects of the EFF reform, identified the policy participants and the policy positions of different sectors, and noted political debates and controversies associated with the reform process. After conducting and coding my interviews, I wrote detailed memos for each code category, synthesizing the pieces of information above. At that stage, I identified major themes in the data and used them to formulate findings. I also

examined patterns and contradictory evidence based on the interviews and archival documents. This allowed me to determine what happened with different degrees of certainty and provided internal validity of my findings. A recapitulation of the events surrounding the reforms and the findings of my study are presented in the subsequent chapters.

The study uses Burawoy's (2016) *extended case method* to develop an understanding of how market confidence structures contemporary economic policy and the wider political economy. The extended case method stands in contrast to positive science in that it is a reflexive science (Bourdieu and Wacquant 1992). In the former case, the researcher seeks to limit their interaction with the world and to standardize all measures in an effort to produce objectivity. Reflexive science, however, prioritizes engagement with research subjects rooted in a theoretical understanding of power. This understanding recognizes that research subjects are not equal in their relation to the subject matter. Moreover, rather than seeking to 'control for' this inequality as noise, it seeks to incorporate it as pertinent information in the process of scientific discovery. Another defining feature of the extended case method is its emphasis on the interplay between local and extra-local forces in apprehending social processes. In doing so, it seeks to both acknowledge the role of general social theory in the interpretation of a particular empirical context and also extend generalizable interpretations in light of rich empirical data emerging from social settings. The goal is, therefore, to apply existing theories to the empirical world so as to develop on and enrich these theories. Specifically, this study applies Block's analysis of market confidence and the sociological research on fiscal crises, on financialization and on the neoliberal ideological tenets of austerity to

understand Jamaica's post-recession policy response. What we gain from this is a deeper understanding of how the need to preserve market confidence becomes imperative in the context of increasing fiscal challenges and capital mobility and how these shifts upend governance structures and redistribute power in society.

CHAPTER TWO: BACKGROUND

Jamaica's History of Fiscal Challenges

Since the 1970s, Jamaica's economic performance has been dismal, registering an average GDP growth rate of less than 1 per cent (Johnston 2015:4). Even among Caribbean nations that suffer from chronically low growth levels, Jamaica remains the worst performer (p. 3). To compound matters, Jamaica held the unenviable distinction as being among the most indebted nations prior to 2014. In fact, noting that the island had the largest interest payment burden globally in 2013, an editorial in the *Chicago Tribune* (2013) dubbed Jamaica "the Greece of the Western Hemisphere." Unsurprisingly, a large fraction of the government's anaemic revenue intake—as much as 50 per cent of the budget in 2013 (Jubilee Debt Campaign 2013)—goes towards servicing existing debt obligations, leaving little fiscal space for spending on the public sector, social welfare and capital projects.¹ In 2004, the government's debt servicing obligations reached a high of 50 cents for every dollar of budget spending, whereas it spent a paltry 2.6 cents on the capital budget (Johnson and Montecino 2011:4). It was against this immediate backdrop that the government approached the IMF after the onset of the 2008 Great Recession to seek the emergency funding assistance, which I examine in this dissertation. However, as I outline below, the country had continually teetered on the edge of deficit and debt crises in the context of politically-expedient fiscal management and the deregulation of global finance.

¹ The lack of revenues is further compounded by low rates of tax compliance. About 40 per cent of Jamaica's economy is informal and employees paying personal income tax account for only 20 per cent of the active workforce.

Jamaica's chronic indebtedness can be traced back to the mid-1990s when the financial sector collapsed under the weight of a liquidity crisis (2007). As global financial markets became deregulated, the government followed the IMF's recommendation to liberate the exchange rate (Howard 2001:459). The loosening of currency controls triggered a rapid depreciation of the Jamaican dollar, leading to soaring interest rates (averaging over 40 per cent between 1991 and 1995) as creditors demanded a higher interest premium against the weakening currency (Seaga 2018). Unable to meet their debt obligations, a number of highly-leveraged financial institutions collapsed. By 1996, the situation rapidly deteriorated into a sector-wide liquidity and insolvency crisis and threatened a full-scale economic meltdown. In 1997, officials set up the Financial Sector Adjustment Company (FINSAC), a quasi-government company mandated to stabilize the crisis by acquiring partial or full ownership of failing financial institutions and repurchasing junk loans and assets. While the government viewed its intervention as necessary to stem the financial collapse, it came at the price of a staggering 34 per cent increase in Jamaica's public debt as a portion of GDP (Johnson and Montecino 2011:5).²

In 2003, the government confronted a serious fiscal crisis when international rating agency Standard and Poor's revised the outlook for Jamaica's long-term foreign currency-dominated sovereign bonds from stable to negative (Collister 2009). The proximate cause was the government's decision to overspend its budget in the run-up to an election, causing the deficit to balloon to unsustainable levels (moving to 8.4 per cent of GDP, well above the projected 4.4 per cent) (Jamaica Gleaner 2003, 2006). When unseasonable weather caused a contraction in the agriculture and tourism sectors, the government also

² While Jamaica's public debt represented 72 per cent of GDP in 1996, it had grown to 128 per cent in 2002, mostly due to the government assuming FINSAC liabilities on its books.

found itself with lower-than-projected tax revenues and foreign exchange earnings. The situation engendered a severe exchange rate crisis. The Jamaican dollar depreciated significantly—moving from 50 JMD to 70 JMD to purchase a U.S. dollar in a mere 10 days and pushing interest rates on government bonds even higher (Collister 2018). Confronted with an impending debt default, the government, business associations and public sector unions joined together to create the *Partnership for Progress* compact (Collister 2009) in an effort that presaged the public-private policy schemes that appeared in the post-recession environment. The partnership committed the parties to work cooperatively to enact initiatives to promote economic and social stability.

In response to the crisis, influential private sector actors proactively urged the government to consider a debt restructuring programme (Collister 2009). The restructuring would involve domestic bondholders agreeing to lower interest payments to help relieve the debt servicing burden. Although restructuring would prove costly for players in the financial sector, many of its prominent members recognized the potential for a debt default to lead to a more costly economic collapse. However, the partners eventually abandoned the idea, fearing that such a move would lead to a crisis of confidence within the international capital market. Debt restructuring—often characterized as a “technical default” in financial markets—has severe implications for a debtor’s ability to access affordable loans in the future since it calls their creditworthiness into question. Instead, the government levied higher taxes on gas and other consumption goods to meet its loan obligations. In March 2004, with the cooperation of public sector unions, they also froze public sector wages for two years.

The country's tenuous fiscal situation came to a head again in the aftermath of the 2008 Great Recession. This time, the lack of financial regulations in the U.S. housing and derivatives markets birthed a global recession which, in turn, led to a rapid deterioration in Jamaica's public accounts. Tax receipts from tourism and remittances—the two largest sources of the government's foreign exchange earnings—decreased significantly (Johnson and Montecino 2011:9–10). Again, the government found itself with insufficient revenues to fund its budget. To compound matters, officials appeared to underestimate the implications of the Global Recession for the domestic economy, causing them to delay their policy response.³ However, the decline in bauxite-alumina export prices and the closure of three of Jamaica's five alumina plants soon served as the sure indication of the challenges to come (Jamaica Bauxite Institute 2020; Neita 2014). A financial analyst I interviewed for this study underscored the severity of the downturn, noting that if the previous crises since the 1990s had brought the Jamaican economy to its knees, the 2008 crash would be the “crisis that finished us off.” Indeed, the economy contracted by over 4 per cent in 2009 (World Bank 2020b). The poverty rate, which until then had experienced a steady decline, leapt from 10 per cent of the population in 2007 to 20 per cent in 2012 (World Bank 2020h). Unemployment also gradually increased in the five

³ By their own public declarations, the Ministers of Finance and Tourism anticipated that Jamaica's financial sector had little exposure to toxic US mortgage-backed securities and that the tourism industry would experience a boon from the downturn in other markets. The government may well have also anticipated that the lowering of interest rates and the buying up of US Treasuries by the Federal Reserve and European Central Bank would have afforded Jamaica the opportunity for cheaper borrowing. An economist I interviewed corroborated this version of events: “*Well, I believe that they misread the Great Recession of 2008. So, when we were urging them to go to the IMF, they were saying things like the recession would help Jamaica and that going to the IMF would not be necessary or appropriate. Now, a lot of that was just based on Jamaica's historical relationship with the IMF and politics. they just came into office and they had made certain promises such as free education and free health care. They believed that IMF tightening would impact negatively on those political promises and those were the major factors behind the thing.*”

years after the recession, reaching as high as 16 per cent at the beginning of 2013 (Statistical Institute of Jamaica 2020).

Post-Recession Crisis and the Loss of Confidence

In 2009, international capital markets began expressing concern about Jamaica's ability to repay its debts. The credit ratings agency Fitch downgraded Jamaica sovereign bond rating, citing the government's repeated failures to meet even "unambitious" fiscal targets (Jamaica Gleaner 2008). By January 2010, Standard and Poor's (another ratings agency), joined Fitch in issuing successive downgrades on Jamaican sovereign bonds, warning creditors that the country had all but entered into a default (Jamaica Gleaner 2010a). A debt default has severe consequences for an economy. The inability to repay creditors prevents a government from accessing new loans to refinance the public debt or fund the public sector.⁴ Essential public services like schools, hospitals and security are likely to experience shutdowns or deep spending cuts. Fearing that the government may increase their taxes or take more drastic measures (nationalizations, capital controls, etc.), market actors are likely to move their capital abroad. This then leads to rapid disinvestment and triggers widespread unemployment as the productive economy contracts.

The situation faced by the government was all the more complicated because the ruling Jamaica Labour Party (JLP) administration had promised to eliminate high school tuition fees and user fees from public hospitals—commitments that required additional

⁴ During fiscal crises, governments may still be able to borrow from creditors who have a high risk appetite. However, such borrowing arrangements usually involve unsustainably high interest rates and further compound the crisis by raising debt levels. In such a case, governments will almost always find it preferable to default.

fiscal spending—during its term in office (Jamaica Gleaner 2011). Despite its name, the JLP has traditionally been the more pro-business of Jamaica's two major political parties. The party had widely been expected to lose at the polls to the social democracy-leaning People's National Party (PNP) (Edie 2011). However, the JLP pulled off an electoral upset in 2007, defeating the incumbent PNP and populist Prime Minister Portia Simpson-Miller by a narrow one-seat margin. Given its one-seat Parliamentary majority, political observers suggested that the weak JLP government would need to fulfil its electoral commitments or face calls for an early election.⁵ Thus, as the effects of the crisis set in, the government found itself having to reconcile two competing demands. On the one hand, markets would expect it to rein in spending in light of the tough economic times. On the other, the government faced popular demands to both fulfil its electoral promises and increase spending to address social dislocation arising from the crisis.

Fred Block's (2010b) analysis of the pressures that confront state managers who wish to pursue protectionist policies proves instructive for understanding political-economic relations in post-recession Jamaica. Similar to Polanyi's (2001) *double movement* concept, Block's work highlights the basic tension in capitalist societies between the social sector's calls for greater protection and demands by capitalists to rein in government spending. This phenomenon, which Block represents as a fundamental dynamic of modern capitalism, becomes all the more acute in the context of a fiscal crisis.

⁵ Several interviewees in the Ministry of Finance and private sector confirmed that the JLP administration had misread the potential impact of the recession on Jamaica's economy and felt pressured to deliver on its election commitments despite the advent of the Great Recession. An economist to whom I spoke aptly summed up both ideas as follows: *Well, I believe that they misread the Great Recession of 2008. So, when we were urging them to go to the IMF, they were saying things like the recession would help Jamaica and that going to the IMF would not be necessary or appropriate. Now, a lot of that was just based on Jamaica's historical relationship with the IMF and politics. They just came into office and they had made certain promises such as free education, free health care. They believed that IMF tightening would impact negatively on those political promises and those were the major factors behind the thing.*

Should a government decide to embrace austerity, it risks severely weakening its popular legitimacy and being punished at the polls. However, prioritizing social welfare over the health of the fiscal accounts would predictably lower business confidence and lead to capital flight and disinvestment. In Jamaica's case, the Finance Minister's decision to prepare two speeches prior to the 2013 budget presentation betrays these competing demands. In the first speech (which he ended up using), the minister planned to announce a massive tax package and cuts to the public sector which would be needed, he affirmed, as "essentially a matter of the survival of the Jamaican nation as a viable nation-state" (Wigglesworth 2020b). In the second, he would offer his resignation on account of the implication of government's austerity measures for the poor.

2010 Stand-By Arrangement

In a bid to reconcile competing demands from markets and electors, the government approached the IMF in 2009 seeking funding assistance. Entering an IMF programme, it anticipated, would assure capital markets of its commitment to austerity while providing the short-term funding to meet electoral promises until the economy recovers. The government and the IMF officially penned a 27-month Stand-By Agreement (SBA) in February 2010 (Ministry of Finance 2010). The SBA provided Jamaica with 1.27 billion USD to address fiscal and macroeconomic imbalances (International Monetary Fund 2010). However, the agreement was not without conditions. The SBA required that the government curtail the granting of discretionary tax incentives, which the IMF estimated to cost the equivalent to 6 per cent of the country's Gross Domestic Product (GDP) (Ministry of Finance 2013:22). It also stipulated a significant lowering of the overall

public sector deficit (balance⁶) from 12.75 per cent in 2009 to 1 per cent of GDP by 2014 (Ministry of Finance 2010:5). This reduction was partly to be achieved through cutting the public sector wage bill (i.e. the cost of paying the salaries, wages and benefits of public sector employees) from 11.75 per cent of GDP to 9.5 per cent over four years (p. 6). The IMF also required that the government pursue several structural reforms to achieve debt consolidation, including a *Fiscal Responsibility Framework*. The framework required that Parliament enact legislation mandating a reduction in the debt-to-GDP ratio (p. 11).

However, as the global and domestic crises deepened, the government found that SBA provided insufficient fiscal space to address its spending priorities. A mere nine months after signing the agreement, the JLP effectively abandoned the programme, receiving only about two-thirds of the tranching 1.27 billion USD drawdowns. The first sign that the SBA was going off-track in 2010 followed rulings by Jamaican Supreme and the Industrial Disputes Tribunal (Johnson and Montecino 2011:17). These decisions forced the government to settle back wages owed to public sector workers—which it had pushed the courts to defer—making it difficult for the government to meet its wage bill target. In cases where a programme target is missed due to unforeseen extraneous circumstances, it is common for the IMF Board to grant a waiver allowing the government to continue to draw down funds. In Jamaica’s case, however, the Fund became unsympathetic to the government’s plight. While neither the public officials nor IMF representatives have publicly commented on the matter, several policy elites I interviewed confirmed that the

⁶ According to the IMF, the public sector balance describes the total assets and liabilities under government control, including public corporations, pension liabilities and even natural resources. It, therefore, “accounts for the entirety of what the state owns and owes” and is generally seen as a more comprehensive picture of the overall health of the public accounts than the fiscal balance which only accounts for central government’s expenditure and revenues.

multilateral institution was irked by the government's lack of transparency regarding the state of the public accounts.⁷ Moreover, the government had failed to curtail discretionary incentives and to meet deficit and debt reduction targets.⁸

Shut Out of the Capital Market

If Jamaica's fiscal plight had been concerning in the lead-up to the 2010 SBA, it would become critical after the government abandoned the programme. The global financial community took a grim view of the government's actions as international credit ratings agencies again issued successive downgrades of Jamaica's creditworthiness (Jamaica Gleaner 2008). The government, therefore, found itself unable to raise money from domestic and international creditors or even to access emergency multilateral funding. In other words, it was now completely shut out of the international capital market.⁹ As the credit ratings agency Moody's warned, the government would be forced to renege

⁷ A senior Finance Ministry functionary explained that the government abandoned the 2010 SBA: *"And what we saw was that, given what was happening internationally and the local foundation, the government could not live up to the agreement. So, the agreement was scuttled after two reviews. So, what we saw was a breakdown in the relationship between the International Monetary Fund and Jamaica. So, we had a two billion dollar agreement: one billion from the IMF, one billion from the World Bank. They gave us almost a billion upfront, ex-ante, on the assumption that we would do things like transform the public sector, reduce the debt burden, improve the competitiveness of the Jamaican economy and all of that. So, that never transpired. When we went at that time, the fiscal deficit was about 10% of GDP. The overall public sector deficit was somewhere in the region of 13.5% of GDP. We gave them the assurance that we would bring those things down by the life of the agreement. Suffice to say, the government never was totally transparent with the Fund and never told them about the arrears that we had with the public sector workers and the agreement that we had signed with the public sector workers. The public sector workers were insisting and the pressure caused a scuttling of the agreement that was signed in February of 2010."*

⁸ A technocrat in the Finance Ministry confirmed that the government missed the targets to reduce discretionary fiscal incentives *"So, they give us a technical waiver first. And then when we still didn't come up to scratch... Because the [not] coming up the scratch had to do with not meeting some quantitative targets as well as not meeting some targets to do with policy steps which the government did not honour, especially on fiscal incentives. There are some things that were to be done on that side that were not. We were supposed to cut away waivers, for example."*

⁹ During fiscal crises, governments may still be able to borrow from creditors who have a high risk appetite. However, such borrowing arrangements usually involve unsustainably high interest rates and further compound the crisis by raising debt levels. In such a case, governments will almost always find it preferable to default.

on its existing debt obligations within a matter of months (Wigglesworth 2013). It would also likely not have sufficient revenues to fund the upcoming budget without implementing unprecedented austerity measures. Caught in a severe bind, the JLP-led administration called an early general election in December 2011, four months ahead of next budget debates. In a moment of candour on the campaign trail, the Prime Minister warned Jamaicans of the “bitter medicine” to come (Henry 2013). However, the administration had already lost considerable popular support. Having narrowly lost to the JLP five years earlier, The Opposition PNP went on to win a significant two-thirds majority at the 2011 polls.

Notwithstanding its electoral victory, the incoming PNP administration found itself in an unenviable position. The country’s foreign exchange reserves had fallen from 2.5 billion USD in 2010 to 1.8 billion in 2013 (World Bank 2020k), hampering the central bank’s ability to stabilize the currency amid increasing oil prices.¹⁰ The previous JLP administration had also borrowed heavily on the external market between 2007 and 2011. As a result, the public debt climbed from 129 per cent of GDP in 2009 (Johnson and Montecino 2011:1) to 147 per cent in 2013, one of the highest in the world at the time (BBC News 2013; International Monetary Fund 2019a). Similarly, whereas total debt servicing charges stood at 23.5 per cent of value of exports in 2007, the figure had increased to a staggering 88 per cent in 2015 (World Bank 2020i).

¹⁰ A prominent private sector representative summed up the situation as follows: “*We had a serious debt-to-GDP ratio which was unmanageable. So, we had serious fiscal issues. At the time also, oil prices were high. And oil accounts for a significant part of our import bill. I think about two-thirds of our import bill or more was related to oil at the time. So, the fact of the matter was that there was just a shortage of foreign exchange. Because of our debt-to-GDP ratio, no one internationally wanted to lend us money. So, the yields on GoJ [Government of Jamaica] debt were increasing as the prices fell.*”

A Return to the IMF

Avoiding a looming debt default was, therefore, the most urgent priority of the incoming PNP administration. Since borrowing opportunities in the private market had dried up, the government found itself with little choice but to seek another agreement with the IMF.¹¹ Officials understood that the IMF was unlikely to agree to a new programme since the previous government had walking away¹² from the 2010 SBA. Still, the authorities hoped to impress the severity of Jamaica's crisis on the Fund's staff and Board of Directors. The Fund acts as a lender-of-last-resort for countries facing fiscal and balance of payment difficulties. Thus, while private creditors seek to protect their returns by avoiding risky borrowers, IMF loan facilities, in principle, represent a global public good not subject to the preferences of market actors.

When the new administration approached the IMF in early 2012, it found that its diagnosis of Jamaica's problems remained the same as prior to the 2010 SBA: Jamaica faced an acute budgetary shortfall which required austerity measures, or "fiscal consolidation" in IMF parlance (Ministry of Finance 2013). These measures, the Fund argued, would raise the revenues needed to balance the budget and pay down the public

¹¹ I interviewed a senior figure in one of Jamaica's large bond-holding institutions who explained that the local private sector and government were both seized of the urgent need for a second agreement. In the bondholder's words, "*No one wanted to lend us money because of that situation. Because we initially had entered into an IMF deal and we did not complete it. In fact, we ended up basically missing the targets. So, by the time it came around to 2012 and people knew that we were not abiding by the IMF agreement, then it created a huge credit crisis for us in terms of people not wanting to accept our debt. So, we could not get funding. The government had a serious debt problem. [...] The only place that was lending at the time was the IMF. So, if you did not have the IMF seal of approval, no one else would touch you. But once the IMF gave you its blessings, then they would not only provide support, but it means that the other multilaterals and lenders would also provide support. So, it was critical at the time that we get that deal with the IMF going.*"

¹² A member of EPOC familiar with the negotiations between the government and the IMF corroborated the claim that the government "walked away" from the 2010 SBA targets "*I think we had missed a target, but we didn't communicate for a long while. [...] But I think the government actually walked away from it without actually saying that they were walking away from it. But, by virtue of not adhering to all of the requirements under the programme, they literally walked away from it.*"

debt. The IMF also continued to believe that the government should trim public spending to lower the deficit and debt levels. Finally, the Fund encouraged Jamaica to pursue structural reforms to improve the competitiveness of its economy. Central among these was a requirement to overhaul the government's tax incentives regime, which it saw as wasteful, overly-complex and a deterrent to capital investment.¹³

While the IMF's diagnosis remained the same, the new administration found that one thing important had changed: the IMF was not willing to entertain the idea of negotiating a new arrangement, the change in political administration notwithstanding.¹⁴ Jamaica's abandonment of the 2010 SBA after receiving close to a billion dollars in assistance had left a negative impression in the Fund's boardroom.¹⁵ Besides, IMF staff felt that Jamaica's poor track-record in adhering to past programmes meant it could not

¹³ According to an IMF representative: "*And the tax system in Jamaica, at the time [prior to the EFF reforms], clearly had some deficiency. It was very complex. There were many different incentives across the different tax laws. There were different incentives across different sectors for different companies for different situations. The complexity was not supportive of growth and makes it hard to manage and to predict revenues. So, reducing the complexity was an important part of the reform. And other part was reducing discretion. In the existing tax regime, the Ministry of Finance had a lot of leeway in reducing the tax for specific individuals or companies. That is not in line with international best practices. And it makes it harder to maintain revenues at a high level as was needed for this fiscal consolidation. So, to streamline the tax system, to make it more pro-growth, reduce the discretion, increase the predictability of revenues, tax reform was an important part of the program. That was recognized from the start.*"

¹⁴ A senior government official confirmed the IMF's unwillingness to negotiate with the new administration. According to a government negotiator, "They [the PNP administration] came into office in January 2012. And we started a conversation with the Fund, hoping that the situation could be pulled together pretty quickly because the economic situation was in a dire state. But, as it turned out, the performance of the outgoing government was not good and, I think, the impression was even worse that Jamaica was not serious. So, we had to spend many, many months -- over a year -- rebuilding that confidence to the point where they would actually negotiate a program with us."

¹⁵ I interviewed an economist who expressed the view that IMF officials were angered by the fact that they had provided almost billion USD in loans upfront to the Jamaican government at the start of the 2010 SBA, only to have officials casually abandon the programme: "So, we had to get back on track with the multilateral community because the multilateral community at that time felt that: "Let us just allow Jamaica to sink because it would not have any great impact on the international economy. And they are so out-of-order down there because we had an agreement [the 2010 SBA] and they took our money upfront and after two quarters, after six months, there is this big problem. So, the [Prime Minister] Portia Simpson-Miller administration and [Finance Minister] Peter Phillips, they had to use all of their international contacts. Portia had to meet with people like the Black Caucus, people such as Maxine Waters. They had a meeting on Christmas Eve with Christine Lagarde, the managing director of IMF and they said, 'You need to help Jamaica!'"

be trusted to implement the proposed reforms (Wigglesworth 2020a). Of the 15 SAPs between Jamaica and the Fund at the time (International Monetary Fund 2020d), only a few had been successfully completed. A senior government official involved with the negotiations described the difficulty Jamaica confronted after approaching the IMF.¹⁶ The official characterized the IMF's decision to not entertain discussions with the Jamaican authorities as founded in an "emotional" response to its abandonment of the 2010 SBA rather than a technical assessment of its current needs:

And, to me, it was a moment of realisation about the up-the-hill task that we were facing. It wasn't a technical argument anymore. It was emotional. [...] Nobody we were talking to [among the IMF staff] was prepared to do that [advocate for a new agreement with Jamaica], which told us that too many people had been burnt before we sat down to negotiate with them. And we [the senior government negotiators] felt like we were running into a glass wall. [...] Then, I understood it was a glass wall; that they had been given a very firm line from management upstairs and they had absolutely no authority but to get whatever was on the piece of paper that they had been given. So, even when you were making sense, they were not moving because they had no authority to move.

The Government Goes to Washington

The IMF's intransigence made it apparent to the government that it needed to resort to extraordinary measures to secure a new funding agreement. Senior government officials I interviewed underscored that the administration quickly became seized of the need to have the U.S. government intervene to force the IMF's hand.¹⁷ While the IMF presents itself as a hardnose technocratic institution guided by objective economic

¹⁶ The official also highlighted that the IMF appeared indifferent to the fact that a new administration had assumed power: "When I went to Washington to negotiate, the episode of 2010/2011 kept coming up. And as much as we were saying that different people were negotiating, they still saw it as an issue with Jamaica. And this is something that, at the political level, people need to understand: that the decisions they make, whether be the JLP or the PNP, it is really immaterial to those people we are interfacing with. It is immaterial with the investors. It is immaterial to the Washington Consensus group. It is immaterial to your donor community."

¹⁷ According to one such official, "And, at some point, we realised that we needed to get to [IMF Director] Mrs. Lagarde and to get to the Deputy Managing Director level and to the executive level of the Board. And we had to bring political pressure to bear on the IMF from the top. And I think the Black Caucus helped a fair bit, not necessarily in terms of the technical input but in terms of the noise that they could bring."

analysis (Thirkell-White 2005), scholars have noted that its funding decisions often align with the geo-strategic interests of the U.S. government (Babb 2009; Stiglitz 2003; Wade 2011). Indeed, not only does the United States have the largest voting share of all IMF member-countries, but the Fund represents one of several post-war Bretton Woods institutions that reflect and promote U.S. economic hegemony in the international system (Panitch and Konings 2008). Jamaican government officials, therefore, understood the importance of support from the U.S. political establishment in breaking the impasse, as indicated by the following exchange between two senior government officials familiar with the situation:

Interviewee 1: [Finance Minister] Dr. Phillips has spoken, and the previous Prime Minister too, about how we turned to the people in Congress, the Black Caucus, for help in terms of lobbying the US government.

Interviewee 2: Because the U.S. government has a lot of clout in the boardroom of the IMF. Oh, and Maxine [Waters]...

Interviewee 1: ...right up to President Obama!

Fortuitously for the PNP administration, the recently re-elected Prime Minister, Portia Simpson-Miller, had previously fostered close ties with California Congresswoman Maxine Waters and the U.S. Congressional Black Caucus. Waters, herself a member of the Black Caucus, was the head of the influential Committee on Financial Services in the Congress. Relative to previous administrations, the Black Caucus also had enjoyed a degree of sway with the Obama White House. Simpson-Miller also confirmed the lobby effort in 2014 when she publicly thanked the Congressional Black Caucus who, “upon learning of the challenges we were facing [...], immediately began to lobby the IMF on Jamaica’s behalf” (Jamaica Observer 2015).

In addition to seeking the White House's backing, members of the Congressional Black Caucus and government officials directly pressed Jamaica's case with IMF Board members. They made it clear to these executives that the Fund's refusal to assist Jamaica in a time of crisis would create the appearance of an institution that was indifferent to the plight of a poor developing country (Wigglesworth 2020b). Moreover, they would publicly blame the IMF for any ensuing economic collapse if the country defaulted on its debt. The IMF was not indifferent to these veiled threats. The Fund has long received criticism from scholars and politicians for imposing harmful policies and harsh conditionalities on developing countries (Babb 2009; Stiglitz 2003; Wade 2011). In response, it has invested considerable effort in improving its reputation since the 1990s by incorporating social spending and domestic ownership in its discourse (Kentikelenis et al. 2016).

Although the IMF officials whom I interviewed maintained that political considerations do not factor into their funding decisions, the government officials and private sector representatives I spoke with told a different story. In fact, the IMF Managing Director Christine Lagarde herself confirmed the lobbying effort. On a visit to Jamaica in 2014, she recounted that a group of Congresspersons paid her an unannounced visit to advocate for a return to negotiations with Jamaica (Jamaica Gleaner 2014):

I remember the 24th of December 2012, the day before Christmas. We had been told about Jamaica. We had been told how difficult the situation was and I was in close contact with [Finance] Minister Phillips. But little did I know that there would be international pressure coming from the Hill. I actually welcomed that day, 24th December, a group of Congresswomen and one man who came unannounced, sat in my office, and said to me, "You have got to help Jamaica!"

This political pressure from Washington appeared to bear fruit as the IMF began negotiating the terms of a new programme with Jamaica in 2013. Fund officials reportedly worried about "the optics of letting a poor, predominantly black country collapse at the

time when the IMF was bailing out wealthier, European countries—on more generous terms than they had usually imposed on developing economies” (Wigglesworth 2020b).¹⁸ Despite agreeing to ‘assist’ Jamaica, IMF officials remained sceptical regarding the government’s willingness to pursue structural adjustment measures. Indeed, the government would need to significantly improve the state of the public accounts in order to regain the confidence of capital markets.¹⁹ However, the prevailing view in the global financial community—i.e. that the Jamaican authorities would find it difficult to implement austerity—did not lead to the Fund taking a more forgiving approach. On the contrary, a prominent businessperson close to the situation described the IMF as coming to the negotiations with “blood in their eyes”:

From early 2012 when they went back, they found the IMF door locked. To my amazement, Jamaica has been in dozens of IMF agreements of one kind or another and has not finished many of them. And I think the IMF just said: “This is a ‘Three-Card’ country [referring to the Three-Card Monte scam]. We can’t deal with it. Lock them out!” And it took significant political leverage amongst Jamaican Congresspeople to get the IMF to look seriously at a programme. And when they did, I guess they came with blood in their eyes: “This program is going to be the toughest thing ever! 7.5 per cent primary surplus!” I believe Greece rioted over, I think, 3 per cent. And everything that was a condition

¹⁸ According to a public official, the government had also sought to shift the moral imperative onto the IMF by taking the initiative to enact several austerity measures even in the absence of the Fund committing its support. “*And we were asking the IMF who would be held responsible if this fails. Because, by then, we were moving towards doing the debt exchange, we were putting in place tax measures that we would be putting forward, we’d already indicated to the unions that we were freezing wages and there would be no wage increases for two years. So, Jamaica was doing everything that it could. So, there was a point at which the responsibility was shifted from Jamaica to the IMF. [...] We were asking them who on their side was prepared to take responsibility if Jamaica failed and crashed after having done the wage freeze, having done the new tax measures, having done the new debt law.*”

¹⁹ A World Bank representative described the global financial community’s lack of confidence in Jamaica at the time: “*At that time, let me tell you, there was a lot of skepticism. There was a lot of skepticism everywhere... in all of the IFIs, in the market, there was a lot of skepticism that Jamaica was going to be able to pull through because Jamaica had a very bad track record of starting something and then going back into the old ways of fiscal indiscipline, borrowing heavily from the private market, and then spending etc., etc. And there have been many times when the IFIs came to the rescue and we trusted the government. And only to see that a couple of years later, the country was where it was. But before that, and particularly in 2013 and 2014, because there was a huge package of assistance in 2008, 2009 and 2010, I think, under an IMF agreement. And then it basically went off track. So, therefore, there was quite a lot of skepticism that the government and Jamaica are going to make it through. And particularly because of all of the economic indicators which were showing that the stabilization program and the fiscal consolidation program have to be very, very tough. And honestly, it has been very tough.*”

precedent to an agreement—the whole debt restructuring—had to be done before. So, it was very tough! Then it had a legislative programme that was very long and intense. Big tax reforms and all kinds of things in there that, really, if the truth be said, most people did not think Jamaica would ever make it through. And when I say most, I mean even amongst the multilateral institutions.

Indeed, the conditionalities that the IMF would eventually impose were among the most exacting of any programme in the Fund's 70-year history.²⁰ Still, Jamaican officials remained acutely aware of the risk of a debt default and the serious economic implications that would arise from further undermining its creditworthiness. Not since the 1970s had a Jamaican government found itself completely locked out of the international capital market. At the time, the Michael Manley-led PNP government had begun espousing a democratic socialist platform and making overtures to the Cuban regime, triggering the ire of the U.S. government and the local capitalist class (Stephens and Stephens 1986; Stone 1985). In an act of deviance to Washington, Manley—whose decisions to nationalize industries, provide government housing and institute literacy and health programmes doubled fiscal spending—famously warned the hostile local business community that, “For anyone who wants to be a millionaire, we have five flights a day to Miami. Take it or leave it!” (French 1992). Indeed, as Block (2010b) would have predicted, businesspeople took up Manley's offer when the Jamaican upper classes migrated in droves (Stephens and Stephens 1986:160) and capital flight contributed to a 25 per cent contraction in private sector employment at the end of the 1970s (Stone 1985:289). Facing economic ruin and unable to access the capital markets, the Manley government

²⁰ Multilateral representatives accorded on the view that the primary surplus target was among the toughest conditionalities that the IMF had ever required. In the words of a World Bank representative: “*But if you look across the globe, there are very few countries which have a primary fiscal balance of 7.5 per cent. It is unheard of! I mean, if you tell this to the Greeks, they will... I don't know... they had a big issue with 3 per cent. And I am just giving you this as an example. But this was really a tough fiscal consolidation.*”

eventually approached the IMF, agreeing to soften its anti-capitalist stance in exchange for funding assistance.

In the post-Cold War era, however, the PNP had long abandoned its Leftist stance. A famous figure of the Left-leaning Non-Aligned Movement during the 1970s, Manley himself renounced democratic socialism in the 1990s, citing the need for Jamaica to compete globally through private entrepreneurship (French 1992). Cognizant of the devastating effect of Manley's socialist adventurism (Manley was forced to return to the IMF after capital flight and the lack of access to private creditors led to a severe fiscal crisis in the late 1970s (Stone 1985)), the PNP government of 2013 resolved that it would mount an extraordinary effort to meet stiff IMF conditionalities and return to the fold of capital-friendly developing economies. Or, as one multilateral representative described it, "[...] the administration at the time realized, 'I don't have too many degrees of freedom left, very little wiggle room. So, let us just get on with it!' So, they bit the bullet and made a lot of sacrifices [...]." ²¹ In the remaining sections of this chapter, I outline the stringent conditionalities tied to the IMF's funding assistance. I also examine how Jamaica surprised sceptics in the global financial community by successfully completing one of the toughest programmes in the IMF's history and became a so-called model for other developing countries facing fiscal challenges.

²¹ The full quote provides some more context to the statement: "*I must tell you though that in 2013 when they signed that agreement, because Jamaica had had so many bumpy rides with the IMF and the IDB and the World Bank in the past, there was very little confidence that they would pull through. So, there was a lot of political will vested in this program because, I think, the administration at the time realized, "I don't have too many degrees of freedom left, very little wiggle room. So let us just get on with it!" So, they bit the bullet and made a lot of sacrifices, meaning they managed to keep their fiscal house in order, as I mentioned, for the last five years by producing primary surpluses which allowed them to reduce the debt over time. So, they started out at 150 and now they're down by the end of this fiscal year to something like 105% of GDP which is an extraordinary effort in a short space of time.*"

IMF Programme Conditionalities

In May 2013, the IMF Board of Directors approved Jamaica's request for a four-year Extended Fund Facility (EFF) agreement. As part of the EFF, the IMF offered financial assistance worth close to 1 billion USD (International Monetary Fund 2013a).²² The amount formed part of a larger 2 billion USD multilateral funding package with the Inter-American Development Bank (IDB) and World Bank who each provided 510 billion USD of support. In addition to funding, the multilaterals provided technical assistance for policy reforms. Disbursement of the funds was done in tranches, conditional on the government's ability to periodically meet the EFF's economic targets. Unlike a Stand-By Arrangement (SBA) which aims to ease short-term balance of payment issues, an Extended Fund Facility (EFF) lasts a year longer and is meant to afford a government time to address fundamental, long-term macroeconomic challenges (International Monetary Fund 2020c).²³

As with the 2010 SBA, the EFF's targets focused on lowering the government's debt servicing costs and reducing the public sector wage bill, which together accounted for about 82 per cent of the revenues and grants from the 2011 annual budget (Johnson and Montecino 2011:11). The multilateral institutions also identified several structural

²² The lending package from the IMF was equivalent to 225 per cent of Jamaica's Special Drawing Rights quota, representing 932.3 million USD.

²³ In fact, one economist felt that part of Jamaica's difficulty was that, in 2010, it took an SBA instead of a EFF which would have afforded it more time to address the crisis. He explained, "*When they [the government] eventually went to the IMF [in 2009], it was kind of late. And then we had this arrangement in 2010. But, at the time, even the IMF people... Trevor Alleyne was the mission chief at the time, he never thought it would work because what we did was to take a Stand-By Arrangement rather than an Extended Fund Facility. You know, for the IMF, the Stand-By Arrangement is a blip. It is an overdraft where you get back on track quickly. The Extended Fund Facility is a longer-range agreement which gives you time to do with the fundamental structural problems. So when we reached the Fund [in 2009], it was like shock treatment. So, we [later] took the Extended Fund Facility and promised to do a whole lot of things to transform the economy: reducing the debt burden, reducing the size of the public sector and the deficit, all of that.*"

weaknesses that are classically associated with structural adjustment programmes in its diagnosis of Jamaica's economic challenges (Ministry of Finance 2013:31–32).²⁴ These included (1) an inefficient tax system that, the IMF and IDB argued, creates market distortions and disincentivizes capital investment; (2) government overspending and a lack of fiscal spending rules, which drive up the public debt; (3) an overvalued exchange rate, which undermines export competitiveness; and (4) costly regulations and red tape, which create an uncompetitive business environment. As is typical with IMF programmes, the EFF consists of three types of performance metrics: 1) **prior actions** that are undertaken before the programme begins; 2) **quantitative performance criteria** that usually involve achieving prescribed target for certain macroeconomic indicators; and 3) **structural benchmarks** that involve legislative and policy reforms.

Prior actions

Before formalizing a lending agreement, the IMF typically requires that governments complete certain 'prior actions.' Prior actions increase the Fund's

²⁴ A Fund official adumbrated the various reforms which the IMF prescribed as EFF funding conditionalities: "So, it wasn't just the government not being disciplined in terms of fiscal accounts, but there were also deeply seated structural issues, including fiscal, including doing business, including monetary and exchange rate issues. Taking the case of the structural and fiscal, you had the tax system which was loaded with discretionary waivers which, of course, prevent the level playing-field in terms of making sure that all the local firms have the equal opportunities in terms of market development. So, there was a huge problem with the tax system which the 2014 Omnibus Legislation tried to address. [...] And on the macro-fiscal-structural, the framework for disciplining the government accounts was not very credible or clear in terms of what we call the fiscal framework. So, there was a need to set up or revamp the fiscal framework to make it clear and credible and anchor fiscal policy. So that, I think, is at the intersection of micro-fiscal-structural... So that was also done under the EFF. [...] Now, in terms of the monetary exchange rate, the competitiveness of the economy was weak as you could have inferred from the large current account deficit which speaks to a non-competitive economy; not just in terms of price competitiveness (because you can think of price competitiveness in terms of your exchange rate channel), but you also have structural competitiveness, such as having a good business climate, a good business environment, including a safe and secure environment where firms are comfortable coming in, have an FDI-friendly environment. So those have to be dealt with also. So, the currency was assessed to be overvalued. So, there was a need for a correction in the exchange rate to make sure that, at least, you're not overly pricey vis-a-vis your competitor."

negotiating leverage in cases where it may doubt a government's commitment to a programme's objectives. They do this by providing a mechanism to ensure that a government meets certain core targets before funds are disbursed. Given the IMF's reservations about entering into a new agreement with Jamaica, it was not surprising that the most demanding conditionalities of the 2013 EFF were frontloaded as prior actions.²⁵

Fiscal Austerity: A primary objective of the EFF was to raise additional revenues and lower spending to help meet debt servicing obligations. The programme sought to achieve this by reducing the overall public sector deficit to about 4 per cent of GDP by 2012 through a combination of debt restructuring, a public sector wage freeze, budget cuts and a significant increase in taxes.

Additional Taxes: To achieve a primary surplus target of 7.5 per cent by 2013, the government revised its 2012 tax package, raising an additional 63 billion JMD (Jamaica Gleaner 2013b). Even without this revision, the 2012 budget had levied 612 billion JMD in taxes (15 per cent over the previous year), the largest tax increase in the Jamaican history (PriceWaterhouseCoopers Jamaica 2012:1). Moreover, the tax package came a mere three years after the previous administration raised billions as part of the SBA (Jamaica Gleaner 2010b).

²⁵ A senior official in the Ministry of Finance confirmed that the prior actions were the "bitter part" of the programme: "[...] what was the important thing about that period of 2012, that first year, was that they said that we would have to take some steps to convey to them that we were serious. So, even before we started to negotiate, they said we had to take some prior actions. So, virtually that year was taking action by way of fiscal measures, [and] taxation as well as developing policy positions that would convince them that the then-government would be serious about a program. So, that is why you actually did not get a program agreed until April or May 2013. The prior action, that was a bitter part of it." An IMF representative corroborated the view that the prior actions were demanding: "If you look at the initial program, it had several prior actions which are really key reforms that must be in place to get the program off to a good start, to instill confidence for all parties that the reforms are really being implemented, that things are moving forward. And if you look at those prior actions which are quite demanding, they include a multi-year wage agreement which involved the unions into the process. They included a restructuring or a renegotiation of the terms of the domestic debt which involved the financial sector into the reform process."

Spending Cuts: In total, the government cut expenditure by 1.4 per cent of GDP in 2012 (Ministry of Finance 2013:11). This included a significant cutback in infrastructure spending, including a 9 billion JMD reduction in road maintenance expenditure (p. 13). The government also diverted funds from the National Housing Trust, a contributory tax fund designed to provide affordable housing to low-income persons, to help ease the fiscal crisis (p. 13).

Public Sector Wage Freeze and Job Cuts: The government instituted a hiring freeze and set a target to eliminate 7,000 public sector jobs by 2013 (p. 14). It also capped public sector wages during 2013 and 2014 (p. 14).²⁶ At the time, government workers had already been under successive wage freeze agreements running from 2010 to 2012. The wage freezes and job cuts represented key steps in the government's effort to reduce the yearly cost of the public sector to 9 per cent of GDP by 2015 (p. 14).

Debt Restructuring: A debt restructuring agreement between the government and local bondholders represented another important prior action. Debt restructuring involves an agreement between a debtor and its creditor(s) to restructure a loan by reducing the interest rate originally agreed upon and/or extending its maturity date. Creditors may prefer to forgive a portion of the amount owed when it becomes clear that the alternative is default. A default is more costly than restructuring since creditors would be unlikely to recuperate their principal in the former scenario. In Jamaica's case, the balance sheets of local financial institutions—which collectively receive about 75 per cent of interest payments on the public debt (Langrin 2013:4)—would be particularly exposed

²⁶ To be sure, the agreement allowed for a five per cent limit on any negotiated wage increase in 2014.

in the event of a debt default. The government and domestic bondholders agreed to the *National Debt Exchange* (NDX) which was launched in February 2013. The NDX reduced the government's debt servicing costs by 8.5 per cent of GDP (representing savings on interest payments of about 17 billion per year until 2020) (p. 5).²⁷ The NDX was, in fact, the second debt exchange between bondholders and the government since the Great Recession. In 2009, the IMF made a similar *Jamaica Debt Exchange* (JDX) a precondition of the 2010 SBA. At the time, bondholders were asked to forgo almost 43 billion JMD in interest payments (Scotiabank DBG Investments 2010:1).

Quantitative Performance Criteria

The EFF programme required that the government achieve a primary surplus of 5.2 per cent of GDP by 2012 and 7.5 per cent by 2013 (Ministry of Finance 2013:11). The primary balance represents the difference between central government revenues and expenditures *minus* interest payments on the public debt, while the fiscal balance includes these debt servicing payments. Thus, a 7.5 per cent primary surplus for Jamaica translated into a near-elimination of the fiscal deficit (p. 4). The IMF estimated that the increased fiscal room would afford the government the opportunity to pay down its debt and achieve a second major target of the EFF, a debt-to-GDP ratio of 60 per cent by 2025 (International Monetary Fund 2020e:6).

More than any aspect of the EFF programme, the primary surplus target garnered attention within the global financial community for its stringency. The target meant that the government—which had already struggled to produce a positive primary surplus of

²⁷ Under the agreement, the 12.5 per cent premium on fixed-rate Jamaica dollar bond was lowered to 7.25 per cent and the 6.75 per cent interest on US-denominated bonds was lowered to 5.25 per cent.

70 billion JMD in 2013—would need to raise the primary balance to 112 billion the following year (a 40 per cent improvement) to meet IMF conditionalities (Ministry of Finance 2013:30). The policy elites I interviewed emphasized that the target appeared unachievable at the time given that the government had already instituted unprecedented tax measures as part of EFF prior actions. Besides, financial observers noted that a 7.5 per cent primary surplus target would be extremely difficult to achieve for any country. Indeed, this target reportedly represented the highest primary surplus in the world outside of major oil-producing countries (Johnston 2015:7). Greece—which, by then, had gained infamy in the global financial community for its management of its own fiscal crisis—experienced significant political turmoil after the IMF required that Athens achieve a 4.5 per cent primary surplus target (Wigglesworth 2020b). Not only did Greece enjoy a longer time horizon for achieving its target, but its economy was also more structurally sound than Jamaica's.

Still, desperate to avoid a debt default, the Jamaican authorities found themselves without the leverage to push back. As one official explained, the government had become convinced of the need to send a strong signal to the international capital markets that it was serious about “getting its fiscal house in order,” despite the social implications of austerity:

Because we had agreed to a 7.5 per cent primary balance—quite likely the highest in the world at the time—[it] said that we were serious. Because a 7.5 per cent primary balance is not an easy thing to achieve. It comes with increased tax measures and significant adjustment to expenditures, which means that the quality of life and of the infrastructure in the country would be sacrificed. It is something we had to do with our eyes wide open because the debt-to-GDP levels could not continue to rise like that. Because it had become inimical to [economic] growth.

In addition to the primary surplus target, the government committed to the following quantitative targets that supported fiscal priorities already undertaken as prior actions: 1) A debt-to-GDP of 96 per cent by 2020 and 60 per cent by 2025, down from 142 per cent in 2011; 2) Lowering tax expenditures, especially statutory and discretionary incentives, from over 6 per cent GDP (80 billion JMD) to no more than 2.5 per cent (41 billion JMD) by 2015 (Ministry of Finance 2013:22); 3) Reducing the public sector wage bill from 10.6 per cent of GDP 2013 to 9 per cent by 2015 (p. 14); 4) Eliminating the fiscal deficit for public bodies by 2013 (p. 15); and 5) Limiting capital budget spending to 3 per cent of GDP and recurrent non-debt spending to only 0.4 per cent in 2013 (p. 12).

Structural Benchmarks

As a complement to eliminating the fiscal deficit and reducing the debt, the IMF stipulated that the government enact far-reaching legislative changes (pp. 31-32). These included strengthening fiscal rules that were adopted as part of the earlier SBA programme targets in order to control public debt levels and downsize the public sector. The prescribed reforms also included an overhaul of Jamaica's tax system to restrict discretionary incentives and simplify and converge rates. As I describe in the next chapter, Jamaica's local private sector seized on the tax reform process to successfully lobby for lowering the corporate tax rate and reducing import duties for businesses. While these private sector-initiated changes were not put in place by the IMF, they were implemented in the context of the EFF's requirement to reform the tax system.

Restricting Discretionary Incentives: The EFF sought to simplify the tax incentives regime by combining several industry-specific incentives into a single *Omnibus Tax Incentive (OTI) Act* (Scarlett-Lozer 2014). The OTI Act also significantly constrained

the Finance Minister's discretion in granting tax incentives, capping the amount at 80 million JMD per month; whereas the minister typically granted over 1 billion JMD in waivers (Gordon 2010).²⁸ IMF officials felt that limiting discretionary tax incentives would minimize the potential for the government to distort market forces and misallocate resources by seeking to 'pick industry winners.'²⁹ They also anticipated that the government would save significant sums. Tax incentives and discretionary waivers reportedly represented 69 billion JMD or nearly 6 per cent of GDP in 2011; of which 1 per cent were tax incentives given to the private sector (Collister 2014).

Lowering Corporate Taxes and Tariffs: The OTI Act lowered the nominal corporate income tax rate from 33 ⅓ per cent to 25 per cent for most companies.³⁰ It further made allowances for Employment Tax Credits, capital allowance and other tax provisions that reduced the effective rate to 17 ½ per cent. The OTI Act waived customs duties on productive inputs for businesses involved in manufacturing, primary production, tourism, creative industries, and healthcare.

Fiscal Rules: The government was required to strengthen legally-binding fiscal rules to restrain public expenditure. The so-called Fiscal Responsibility Framework would eliminate the fiscal deficit and implement a ceiling on the public debt below 60 per cent by 2025 (Lledó et al. 2017:42).

²⁸ A Ministry of Finance official underscored the significance of this change, noting that the Minister had been able to grant billions in incentives at her or his discretion: "*And we have continued to do that now, except that in terms of the minister's discretion, it is now defined by an amount of money, about 120 million dollars per year. That is all the waivers he is able to grant. Previously, he could grant billions of dollars of waivers if he so chose and if a particular project or sector was in the country's best interest [...].*"

²⁹ It should be noted that the OTI Act made provisions for tax credits to be given to large capital investments designated as large-scale projects and pioneer industries under limited circumstances.

³⁰ All companies benefited from the lower corporate tax rate except regulated companies in the finance and telecommunications industries. The latter were kept at the 33 ⅓ rate because the taxes represent a significant contribution to the public purse. Thus, moving them to the lower rate would have substantially reduced the government's revenue intake during the crisis.

Cutting the Public Sector: To help achieve the 9 per cent of GDP public sector wage bill target, the government was required to implement an attrition programme for public sector workers (Ministry of Finance 2013:14). The programme represented a continuation of the freeze on net new hiring of civil servants and the elimination of many vacant positions, which had begun as a prior action. The EFF also proposed a Public Sector Investment Programme that would limit capital spending based on efficiency criteria (p. 15).

Social Spending: The EFF required that the government put a floor on social welfare spending equivalent to the amount earmarked in the 2012/13 budget (pp. 14-15). The government would also increase benefits under the Programme for Advancement Through Health and Education (PATH), the government's primary social assistance programme, in line with increased living costs. It also committed the government to enhance efforts to move recipients off welfare and incentivize work (pp. 23-24).

Other Benchmarks: The government agreed to reform the financial sector to monitor potential systemic risks posed by large banks and provide liquidity support for at-risk financial institutions (p. 32). The reform also sought to harmonise insolvency legislation designed to move from “punishment to rehabilitation,” according to the Finance Minister (Collister 2014). Finally, the government was required to implement a growth strategy meant to improve the business environment and consider strategic capital investments (Ministry of Finance 2013:5–11).

Rushed Timeline

These EFF targets called for an ambitious reform effort on the part of the Jamaican authorities. Additionally, the government appeared keen on completing some targets

ahead of schedule so as to impress the IMF and begin to repair its reputation among international creditors.³¹ However, the pressure to meet IMF deadlines may have come at the cost of careful policy design. The Finance Ministry officials I interviewed described working late into the night to rush through legislation to meet IMF deadlines.³² The Finance Minister also held limited consultations with the Cabinet to hasten the process. For instance, after being given a two-month extension by the IMF, the Omnibus Banking bill had to be completed at a hastily-convened weekend retreat (Henry 2014b). Opposition politicians expressed concern that there was inadequate time for Parliamentary debate, and some had not even had a chance to see the bill.

Similarly, the scheduled tabling of the OTI Act was deferred by a month over concerns that it had been pushed at “break-neck pace” (Jamaica Gleaner 2013a; Jamaica Observer 2013b).³³ Moreover, in the government’s haste to meet the deadline, certain proposed policy reforms were not sent to the Parliamentary Joint Select Committee

³¹ For example, according to a senior official in the Finance Ministry, the government sought to implement fiscal rule targets a year ahead of schedule: *“It wasn’t easy. And I think accomplishing the prior actions before the signing of the program demonstrated our commitment. I think, as well, that we did some strategic things looking back. The Fund was saying we needed to put fiscal rules in place, stronger fiscal rules. We decided that we would do it in a year to surprise them!”*

³² One official described the rush to complete new legislation to modify Jamaica’s tax incentives regime: *“Negotiating with the IMF, it struck me in January or February that we had to come up with a new Fiscal Incentives Act that would merge all the fiscal incentives that were available into one law, and we would have to do it by September. And the IMF held a very hard line on that! So, it struck me that if it took me 18 months to move 7 to 11 [bills] into a [single] piece of legislation [in my previous experience], what it was going to take from us to move a whole fiscal incentives bill, fiscal incentives arrangement, and multiple legislations into one legislation. And so, I talked about it with my staff. And I spoke about it with the Minister. And we decided that we were going to have full disclosure to key groups. We had to have full disclosure to the unions, to the private sector, to the financial sector, and key components of civil society. If we didn’t do that to show to everybody that this was a situation of epic crisis proportion, then I don’t think we would have gotten the support.”*

³³ In reference to the OTI Act, a private sector representative involved in its drafting commented: *“But, really, that is not the way it should be done. You need to have a proper technical capability. It was a last-minute scramble and you shouldn’t be doing this as a last-minute scramble. And you actually should be doing it with a focus on competitiveness in my view. Although there was a focus on competitiveness in the end, initially it looked like the policy of the IMF was just to get rid of incentives on a wholesale basis and everything would be okay.”*

responsible for tax matters (Henry 2014a). Strict legislative timelines also taxed the 12-person Parliamentary legislative drafting team, forcing the government to spend months trying to recruit professional drafters from overseas.³⁴ By the time the government had completed the EFF's prior actions, officials had reached a point of "reform fatigue."

According to an official in the Finance Ministry:

But the IMF programme, I think, taxed the Ministry of Finance a little bit to take on all of these things. And, I think, after about two years of the programme, the Ministry was suffering from reform fatigue, the public sector was suffering from reform fatigue. [...] One has to take account of the small size of Jamaica, and the fact that it is the same people you run into doing this every day. So, capacity was an issue. Whether we decided to logically or not, I think the decision [to rush legislation] was made for us.

The IMF appeared to concede that the EFF's 240 structural benchmarks were overambitious when it agreed to defer some reforms having to deal with the size of the public sector and the government-run pension scheme.³⁵ The Fund also agreed to revise

³⁴ A Finance Ministry official recounted the difficulty in finding Parliamentary drafters amid the flurry of new legislation that had to be crafted: "And, with significant numbers of legislative change, some in the programme and some not, some things just were not possible. It taxed our capabilities so much so that we had to go external to Jamaica. First of all, we had to use all those people who were at the Parliamentary Council. And some of them were in such high demand that they were outside of Jamaica doing other stuff. And when we looked globally to try to bring in drafters, we realized that there was a global shortage of legislation drafters. And many of those outside of the US could not help us; it would have to be somebody familiar with the British law and who also would have worked in areas related as well. So, we were fortunate to find this fellow from Canada. There was somebody else from New Zealand [inaudible]. And that is how we were able to bring more resources to address the problem. And that took a global search!"

³⁵ A Finance Ministry official outlined the context leading to the deferral of some structural benchmarks: "And so, to take on major things such as the reduction in the size of the public sector, it just could not happen. Because we were also negotiating pension reform. But we are negotiating pension reform, wages, new compensation arrangements, new compensation policy; we're doing the 240 benchmark conditions under the IMF programme. It was just too much to take on a massive jobs adjustment in the public sector. [...] So, tough structural adjustments that should have been made earlier in the program -- for example, I think that the pension reform should have been done years ago -- was allowed to be pushed back. Although the wage-to-GDP [reduction] is not a structural target, that too was allowed to be pushed back [...]. The civil service reform, which was a structural adjustment target, that too was allowed to be pushed back. So, I think they were kind of sympathetic that the country was working hard on these tough fiscal things and they could cut us a little slack on the other issues which they understood were big political issues. And I think that that view is, in a way, reinforced by the loss of the PNP at the elections. There is always that risk that you implement this program religiously and you lose the election. Because of it, the next guy picks it up and takes the winnings for it. And when that actually happened, I think, it validated the view that you can let these tough things slide to the back."

the primary surplus down from 7.5 to 7 per cent to give the government more fiscal room (Jamaica Gleaner 2015).

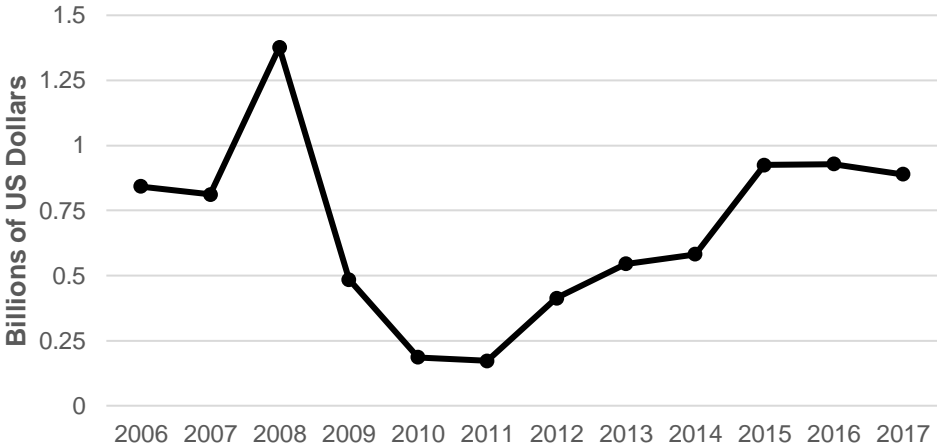
Jamaica's 'Improbable Success'

Despite the challenges it confronted in obtaining and implementing a new IMF programme, Jamaica successfully concluded the EFF agreement in 2016. The government completed thirteen quarterly target reviews, making it one of the rare IMF programmes that Jamaica managed to navigate to its end. Furthermore, the government's achievement earned considerable attention and praise within the global financial community (Economist 2019; Jamaica Gleaner 2019d). The turnaround in the fiscal accounts would have been exceptional for any country, much less one teetering on the brink of economic collapse. Most notably, the government achieved its primary surplus by 2014, representing one of the most significant fiscal consolidation attempts of any country. By 2017, the government also produced an overall budget surplus for the first time in decades (Henry 2017). A year later, Jamaica's debt-to-GDP fell below 100 per cent for the first time since 2001, on track to achieving the 2025 target of 60 per cent (Jamaica Gleaner 2019c). On the monetary side, inflation fell from double digits in 2010 to 2.4 per cent (World Bank 2020d), although this was helped significantly by a fall in global oil prices. The government also made significant strides to replenish its depleted foreign exchange reserves. Reserves moved from 1.8 billion USD in 2013 to 3.8 billion in 2017 (World Bank 2020k).

Although GDP growth proved more elusive than the government and multilaterals had anticipated (Jamaica Gleaner 2019b), in 2015, the Jamaica Chamber of Commerce's business confidence index attained to its highest level in eight years and second highest

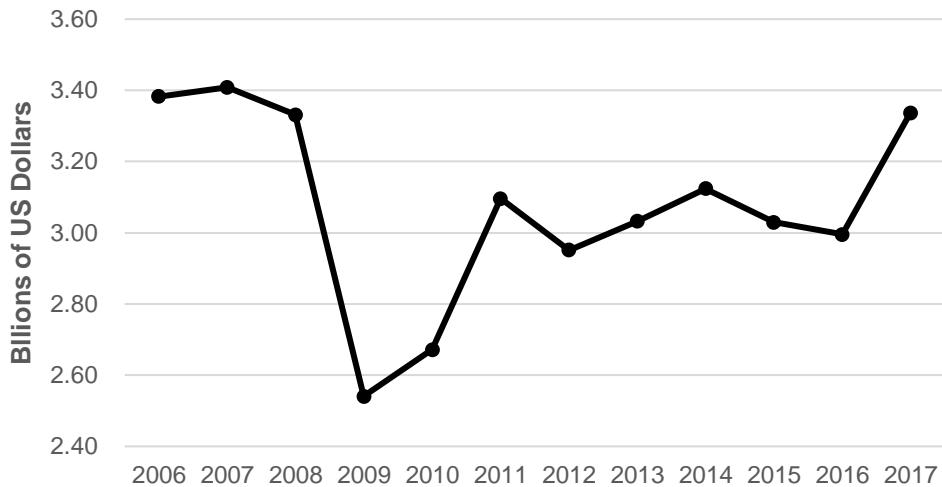
level ever recorded (Nationwide News Network 2015). Foreign direct investment significantly improved during the life of the EFF, jumping from 173 million USD in 2011 to 925 million in 2015 (see Figure 1). Capital formation similarly recovered to its pre-recession levels after the government completed the EFF in 2016 (see Figure 2). Official unemployment also experienced a gradual decline, falling below 10 per cent by 2018. Reforms aimed at promoting a capital-friendly environment, which had been an integral part of EFF structural benchmarks, also resulted in Jamaica being ranked number one in the Caribbean and among the top ten improvers globally in the respective 2014 and 2015 editions of World Bank’s *Doing Business Report* (Jackson 2015; World Bank 2015b).

Figure 1: Foreign Direct Investment, net inflows - Jamaica



Source: World Bank 2020a

Figure 2: Gross Capital Formation - Jamaica



Source: World Bank 2020c

A mere five years earlier, the situation had been very different. At almost 147 per cent of the GDP (International Monetary Fund 2019a), Jamaica had one of the world’s highest debt levels in 2012. The government’s debt servicing obligations alone accounted for a half of budget spending (Jubilee Debt Campaign 2013). Foreign currency reserves were close to an all-time low, enough to only cover three months of imports (World Bank 2020j). Tourism and bauxite earnings, the country’s main source of foreign exchange, had plummeted under the weight of the global financial crisis. And the unemployment rate had soared to a post-recession high of 15 per cent in 2013 (World Bank 2020i). Particularly concerning for the authorities, credit ratings agencies had anticipated a “high probability” of default (Wigglesworth 2013), preventing officials from raising much-needed financing from private credit markets.

The transformation in Jamaica’s public accounts, therefore, represented a remarkable feat for an economy on the verge of a debt default. Following the EFF’s

successful completion, multilateral partners heaped praise on the Jamaican authorities.³⁶ Nor was it long before Jamaica's achievement garnered the attention of the international financial press. The *Financial Times* described the EFF programme as “outrageously, improbably successful” while the *Economist* magazine heralded Jamaica's turnaround as a “redemption song” (Economist 2019; Wigglesworth 2020a).

A Model for All

Having been almost completely shut out of the international capital market a few years earlier, Jamaica had surprised the global financial community by completing one of the toughest structural adjustment programmes ever designed. Jamaica's performance under the EFF programme begs an important question: what accounts for this apparent success? After all, the country had abandoned the SBA programme a couple of years earlier and had failed to complete less stringent programmes in the past. In addition, Jamaica's attempt to achieve the one of the highest primary surplus levels among non-

³⁶ Two IMF representatives interviewed for this project explained that Jamaica's success had been underscored by the stringency of the EFF conditionalities: *Interviewee 1*: “*The overall programme implementation stayed very strong throughout the programme. In the end, under the EFF, 13 reviews were completed all on a quarterly basis and pretty much like clockwork with no or almost no waivers, which, for a Fund programme, is pretty exceptional. So very strong implementation of the program in terms of implementation of what was agreed. But also, strong implementation of the program in terms of it starting to bear fruit -- debt starting to come down [and] growth, after an initial debt spike, starting to pick up a little bit. Also, in terms of economic performance. External deficits coming down, reserves starting to increase. What we saw was very good.*” *Interviewee 2*: “*And, then, in the context of a program that was, by all means, ambitious. Especially if you look at the fiscal targets, internationally comparing across countries, these were very ambitious targets. So, their successful implementation really stands out.*” A World Bank official expressed a similar sentiment in another interview: “*[There was] a lot of reluctance, a lot of doubts. [But] Jamaica has done extremely well. They have done extremely well in terms of fiscal consolidation. They have maintained the 7.5 per cent primary fiscal balance. Their debt has gone down. They started in 2014 with 149 per cent of GDP which was the most indebted country in the world! And then now they're about 120%. [...] That means that a lot has been done. The fiscal consolidation has worked.*”

oil-rich nations had been widely greeted with scepticism in the international credit markets.³⁷

The general consensus among the policy elites with whom I spoke was that government officials, businesspersons and union representatives—assisted by technocrats from the Washington-based multilaterals—came together in an unprecedented display of social partnership to push Jamaica to success. As evidence of this partnership, elites highlighted the local financial sector’s willingness to agree to two costly debt restructuring programmes (the JDX and NXD both had more than 97 per cent participation from local bondholders (Campbell 2013)). They also pointed to the public sector’s acceptance of multi-year wage freezes as proof that sectoral representatives were prepared to prioritize the national interest over parochial demands. In addition, government officials credited the inclusion of non-government actors in the EFF reform process in the form of public-private policy schemes as a key element of Jamaica’s success. As I discuss in the next chapter, the government had established the Economic Programme Oversight Committee (EPOC) and the Incentives Working Group (IWG)—both of which included prominent businesspersons and public sector union representatives—to monitor the overall EFF programme implementation and make tax policy recommendations.³⁸ Multilateral representatives also shared the government’s

³⁷ According to a private sector representative who monitored the EFF programme implementation, scepticism had been rife that Jamaica would fail the programme, even as it successfully met IMF targets in the early stages of EFF implementation: *“I would say that for the first six to nine months, people were just in disbelief that the government could hit the targets that they did. They thought it was “ok, maybe they hit the first one because that is the easiest one. They will not meet the next one.” There was a lot of scepticism. And it was not until we passed the first year and onwards that confidence began to build amongst the Jamaican businesspeople who I relate to.”*

³⁸ A government official underlined the importance of the private sector involvement in EPOC to the success of the EFF: *“I honestly believe that if it had not been for EPOC, for that mechanism, it would have been difficult, if not impossible, to get where Jamaica got. Because it made it possible to create a consensus -- a broad public-private consensus -- in the private sector on very difficult measures. It managed also to keep the public informed. [...] And that is very important because, in those years of the EFF, there were no major*

assessment. IMF country officials, for example, noted that it was “quite unusual across IMF-supported programmes to see that kind of organized involvement of the private sector.”

Prominent figures in the global financial community publicly echoed policy elites’ assessment. IMF Managing Director Christine Lagarde pointed to EPOC as central to Jamaica’s success, praising the public-private arrangement as a model for the rest of the developing world. Highlighting Jamaica’s achievement of a 7 per cent primary surplus, Lagarde lauded “[...] the courage of the authorities of Jamaica, one after the other, and the inclusive approach taken by EPOC, [which] have been critically important to ensur[ing] that the programme is owned, adopted and implemented to the benefit of the Jamaican people” (Scott 2017). The Fund’s head characterized the public-private scheme as exemplary, noting that the monitoring of an IMF programme by an “outside group... is something that I have never heard of, (and) that none of my staff at the IMF had heard of” (Wigglesworth 2020b). Finally, Lagarde suggested that public-private schemes were “[...] surely a role model that should be emulated elsewhere.” She continued, “With everybody inside the tent, all voices are heard, and everyone has a stake in success.”

In fact, so satisfied were the Washington-based multilaterals with the EFF programme that it appeared to earn Jamaica an official state visit from President Obama,

issues. It is amazing! [...] And part of it is actually that information and, indeed, education work that EPOC was doing. And it was also key that it was public and private. It was also key that it was headed by two very respected people. On the public side, it was Governor [Brian] Wynter [of the Bank of Jamaica] and on the private sector side, it was Richard Byles [Chairman and CEO of Sagcor Jamaica, one of the country’s largest financial institutions].” A senior technocrat in the Ministry of Finance also highlighted the role of prominent businesspersons in getting private sector buy-in for tax incentives reform. “The private sector actively participated [in the IWG’s tax reform process] – welcomed it at discussion level, at the legislative level and even at a public relations level -- and actively participated in getting the word out, in softening the blow, in selling the idea. And to my mind, that was one of the better, smoother implementations of any tax policy we have had in a very, very long time in Jamaica – the introduction of the [new] fiscal incentives regime.”

only the second such visit to the Caribbean island-nation from a sitting U.S. head of state (IaDB Blogs 2015; Johnston 2015). The local press reported that the Obama visit came as an endorsement of Jamaica's fiscal transformation as a model for the rest of the Americas and a signal to other countries in the region that they should emulate it. Obama's visit was then followed by visits from the IMF Managing Director and IDB President Luis Alberto Moreno (Johnston 2015:8). Indeed, the EFF's success was also a public relations coup for the Washington-based multilaterals who often find themselves at the centre of political controversy in poor countries and whose prescriptions have frequently been criticised for worsening economic problems.

Summary

In summary, since the 1990s, the Jamaican economy has experienced one of the world's highest debt levels. This chronic indebtedness precipitated periodic fiscal crises that threatened to lead to debt default. However, the country would face its most significant challenge in the aftermath of the Great Recession when its decision to abandon a 2010 IMF SBA led to a crisis of confidence in the international capital market. Desperate to reverse its fortunes, the government leveraged its connections in Washington to push the IMF back to the negotiating table, eventually signing a new agreement in 2013. To the surprise of the international financial community, the government successfully completed the 2013 EFF despite confronting one of the most austere programmes in the Fund's history. If credit ratings agencies had anticipated that Jamaica would default on its debt in 2012, by 2014 the country had reversed its fortunes to achieve one of the highest primary surplus levels of any non-oil-rich economy. In the

next chapter, I examine the role and the motivations of the IMF as a particularly powerful institution within the global financial community, one whose imprimatur proved essential in Jamaica's bid to retain market confidence.

CHAPTER THREE: IMF 'FISCAL PRIESTS' AND THE DOCTRINE OF MARKET CONFIDENCE

Despite the IMF's important role in steering Jamaica's policy response to its post-recession fiscal crisis, the Fund's loans to the government represent a relatively small fraction of the public debt when compared with other lenders. In 2012 when the government began negotiations for an EFF agreement, total multilateral loans were about 12 per cent of the overall debt (Johnston 2013:2). Among Jamaica's multilateral lenders, the IMF was only the second largest donor after the IDB. In this section, I examine how the IMF has come to play the predominant role in the economic management of developing countries like Jamaica. I also situate the Fund's push for capital-friendly policies within a broader context of contemporary economic governance in which weak economies like Jamaica's are expected to compete to attract investors and creditors in the international capital market.

The IMF's Visible Hand

Technical Clout

In the aftermath of World War II, transatlantic allies met at Bretton Woods to establish a network of global financial institutions that would promote monetary stability and guarantee Western dominance within the global economic order. A centrepiece of this post-war financial order, the IMF assumed the important role of managing financial crises and balance of payments difficulties globally (Thirkell-White 2005:47–74). Bolstered by its perceived technical competence in dealing with economic matters and its cadre of staff economists from top universities, the Fund has, over time, arrogated to itself an important role in the crisis management of

developing economies through its structural adjustment programmes. Since the 1990s, however, the IMF's reputation has waned in response to critics who charge that its interventions often aggravate economic difficulties in poor countries (Blanton et al. 2015; Daoud and Reinsberg 2019; Felix 1990; Hartzell et al. 2010; Kentikelenis et al. 2016; Stiglitz 2008). Still, the multilateral has kept its place as among the most powerful institutions in the international financial system. However, it rarely acts alone, tending to collaborate closely with other Washington-based multilateral institutions, particularly the World Bank and the IDB.³⁹ Indeed, the three institutions coordinated their approach prior to and during 2013 EFF negotiations, ensuring that they would present a common front to the Jamaican government. As my interviews confirmed,⁴⁰ this common front was organized around a division of labour among the institutions: the IMF concentrated on 'macro-critical' fiscal and monetary issues and the overall macroeconomic framework while the IDB and the World Bank provided support for structural (legislative) reforms, social welfare policies and development projects.

Even with this collaboration, there was little doubt that the decisions of the IMF staff carried particular weight among the multilaterals. Generally, the World Bank and

³⁹ One multilateral representative described the IMF and the IDB as sister-organizations: "The World Bank and the IMF are literally sister organizations. I've worked for both. They share a parking lot across the street from each other. Both are UN-flagged Bretton Woods institutions. But the role is different. The IMF's mandate is exchange rate stability and convertibility. But it is really about global financial stability and countries' own economic stability and access to a lender-of-last-resort. It doesn't lend for any purpose except to provide short-term bridge financing when there is a crisis to allow a country to adjust and get out of trouble and get back to capital markets access. That is the only mandate of the Fund, plus or minus."

⁴⁰ One World Bank representative outlined the informal relationship between the three multilateral institutions during the EFF. "*We have been in discussions -- the three, the IMF, the IDB and the Bank - have been in discussions throughout the preparation of the EFF. And at that time, we were in parallel working because, as I said, it was a package. It was totally agreed that this was a package of assistance and these are the issues on which we are going to focus. So, not that we [the World Bank] had a say and were instrumental in every specific benchmark that they had. But it was a process where there was a lot of consultation and coordination on what was covered by whom. And, as I said, you wouldn't find documents on this because it is a working relationship. But there was an agreement that they will focus on the fiscal and macro and us, we're going to focus more on the public sector. Although they have some of the benchmarks [relating to the public sector wage bill], but we would focus more on growth and public sector transformation structural sides as well as the social side.*"

IDB will not lend to countries that the IMF deems fiscally irresponsible. In fact, much of their development work goes towards supporting existing IMF programmes in areas outside of the Fund's expertise (i.e. areas not deemed critical to macroeconomic stability during a crisis).⁴¹ The IMF's relative importance among Washington-based multilaterals—and, indeed, among the wider global financial community—stems partly from its work in overseeing fiscal consolidation and ensuring that creditors get repaid in times of economic crisis. In Jamaica's case, this importance remained even though the IDB had loaned significantly more to the government than the IMF. An IDB representative, for example, explained that others look to the Fund's assessment of whether a country is committed to fiscal adjustment before lending to a country:

These institutions [the World Bank and IDB] and every other government around the world effectively delegate financial and economic stability adjustment to the IMF, and they do everything else. We care about the numbers. We are very, very conscious of the numbers because, as lending institutions, we need to make sure that it is a good credit risk and we're going to get our money back, and that we are not lending into a problem that makes the problem worse. But adjustment really is the business of the IMF.

Jamaican policy elites also appeared to be in no doubt about who called the shots among the multilateral institutions funding the EFF. Although the Washington-based institutions agreed that the IDB would handle tax reform, even in that matter, policy elites felt that the IMF would have the final say in its direction. As one

⁴¹ An IDB representative explained the division of labour, noting that they usually play a role in development policies of countries once the Fund had gone in and completed its structural adjustment programme. "We, the IDB and the World Bank, have a different mandate [from the IMF]. We are development institutions [...], so we delegate [fiscal adjustment] to the IMF: "You take care of [macroeconomic] stability." But these institutions lend for the purpose of development. And traditionally, it has been tied to specific projects like roads, bridges, ports, hospitals. You can fold a lot of things into it. Increasingly, the IDB, in a country like Jamaica, has a focus on things like providing financing to support public sector transformation, like the NIDS [National Identification System], like tax reform, all sorts of things like that that require funding for a number of reasons, but also provide budget support. These [lending] institutions and every other government around the world effectively delegate financial and economic stability adjustment to the IMF and they do everything else. We care about the numbers. We are very, very conscious of the numbers because, as lending institutions, we need to make sure that it is a good credit risk and we're going to get our money back and that we're not lending into a problem that makes the problem worse. But adjustment really is the business of the IMF."

businessperson involved in the negotiations tersely put it, “[...] if the IMF says so, the IDB will also agree.”

The Fund’s work providing technocratic and quantitative analysis on a country’s fiscal and financial accounts also earns it a degree of authority relative to other Washington-based multilaterals whose work tends to be less economic and more focused on social, legislative and infrastructural matters. Sociologists have argued that academics and policy experts engaged in economic and technical analysis are more likely to be perceived as rational, scientific and authoritative than their counterparts who work on social issues (Colic-Peisker 2017; Fourcade, Ollion, and Algan 2015). This is especially true in the Anglo-American world where, according to Colic-Peisker, there exists a historical propensity towards positive and ‘scientism’ and a cultural bias which tends to belittle the ‘right hemisphere thinking’ responsible for creativity and imagination, while prioritizing the ‘left hemisphere’ rational, methodical, logical, step-by-step thinking. Citing Bourdieu, the author argues that economic rationality has attained “the ultimate symbolic power,” imposing itself as a the taken-for-granted mode of understanding the social world such that “it is impossible to step outside this apparent consensus without a serious status penalty” (p. 152).

Thus, the tendency to frame the social world in rational economic terms serves to exclude and delegitimize the contributions of non-experts who have not been trained in this discourse. This observation may help explain why, on the rare occasions where domestic policy elites pushed back on elements of the IMF’s programme, they rationalized their demands in technical terms. Private sector elites, for example, often justified their self-interested demands by appealing to the idea that the hard numbers dictate a particular course of action. A representative of the Jamaica Stock Exchange who opposed eliminating incentives benefitting newly-listed companies expressed

surprise that the IMF had been unpersuaded by their arguments which, the lobbyist insisted, were founded in objective quantitative data. According to the representative, “[...] we did not come into the negotiation with hearsay. We did not come into the negotiation with a qualitative argument. We came in with a quantitative argument. So, we felt that that would have been sufficient to make the case.”⁴²

Political and Racial Factors

An advantage of the IMF’s focus on technical knowledge is that it gives the appearance of an objective and unbiased analysis. Indeed, Fund staff whom I interviewed were keen to stress that they stay above political considerations. For instance, although local policy elites felt that concerns over corruption had been at the centre of the IMF’s push to restrict the Finance Minister’s discretion in granting tax incentives, Fund representatives preferred to only say it was not conducive to investor confidence. By sticking to the ‘hard numbers,’ these representatives hoped to avoid an appearance of interfering in the country’s internal political affairs. However, its critics may well consider the IMF’s concern over corruption in Jamaica as ironic. At the time of the EFF programme, the Fund’s Managing Director, Christine Lagarde, had been embroiled in a corruption scandal linked to her time as the French Minister of Finance (BBC News 2016). While still at the helm of the institution, she was found guilty of negligence in 2016. In contrast to the Jamaican government whose spending

⁴² The full quote is worth underscoring here: “*And the government of the day said that [eliminating incentives] was all about the IMF. So, if it is all about the IMF, obviously, we also had consultations with the IMF as it relates to this particular position that they were taking. [...] We were surprised that, having demonstrated the success of the market (though at that point, not as many as 32 companies), and also the analysis, that the government of the day was not making a decision on the basis of analysis. That is what took us off-guard! Because when you think you have your facts and your argument is rooted in facts, you are not expecting to get a contrary result. And that is what took us off-guard. [...] And we did not come into the negotiation with hearsay. We did not come into the negotiation with a qualitative argument. We came in with a quantitative argument. So, we felt that that would have been sufficient to make the case. It was not because, obviously, what was driving the decision was much more than quantitative. There were other factors which I am not able to tell you what they are.*”

decisions faced unprecedented scrutiny and oversight from the private sector and multilateral lenders, Lagarde went on to be appointed as head of the European Central Bank.

It is also worth noting that whilst the IMF's tendency to focus on technical analysis and avoid political matters helps preserve its reputation as objective and scientific, this orientation presents an important drawback. I have shown in Chapter 2 that the U.S. government's intervention proved decisive in ending the impasse between the IMF and Jamaica. Several scholars have used comprehensive datasets of the Fund's lending decisions over several decades to corroborate my findings that political factors do play a role in how programme objectives are formulated (Andersen, Harr, and Tarp 2006; Peksen and Woo 2018; Thacker 1999). If these factors are not publicly acknowledged by the Fund, this creates a distorted understanding of the political-economic realities motivating its operation. Without an honest assessment of the considerations that factor into the IMF's work, it also makes it more difficult for the taxpayers of the member-countries who fund the institution to hold it accountable.

Local policy elites also reflected the view that the IMF staff were more technically competent than the other Washington-based multilaterals. In three separate instances during my interviews, the comparison between the IMF's and the IDB's technical capacities would even take on racialized tones. Offering a possible explanation for this disparity, one private sector representative cited the fact that the IDB (whose member-countries are exclusive to the Americas) is mostly staffed by Latin Americans:

In fact, the IMF was more reasonable than the IDB, which I think was because they had a greater technical capacity. The IMF has lots of people with much higher levels of qualification, economists and so on. So, although they [the IMF] are very austere and want their thing done, they seemed to have a better knowledge, or maybe just a better grasp or wider knowledge, than the people who came from the IDB. Although that may reflect, as well, the fact that the IDB takes all of these people from Latin

America. It may not be as driven by a set of... you have to be an extremely good economist to get into the IMF, whereas there might be more political or other aspects to get into the IDB.

It should be noted here that both IMF mission chiefs who led the technical team overseeing the EFF programme in Jamaica were Dutch. A government official also doubted the competence of the “Latins” from the IDB:

You had some people from the IDB, some Latins... oh God, if we had followed their recommendation! [...] I was so impressed and proud of the [Jamaican negotiators] that they matched toe-for-toe these Latins who came with all their experiments and showed up their ignorance, really. [...] They had put forward their recommendations, totally oblivious that we had committed to certain things and could not do some of the things that they were urging us to do! And, in the end, you saw divisions among their ranks. The IMF people recognized that they had to restrain the IDB and say, “Look!” It was sort of embarrassing [for them]!

These attitudes may well reflect the wider experiences and worldview of Jamaican elites in the context of the country’s own racialized social hierarchy (which I discuss more in Chapter 7). Although the vast majority of Jamaicans are of African-descent, wealth remains concentrated in the hands of a few non-African-descendant Jamaicans. While slavery on the island ended in 1834, state repression and racist laws conspired to prevent former slaves from owning land and other property in the ensuing decades. In their place, a few prominent families who primarily trace their ancestry to Europe, Asia and the Middle East took possession of and continue to control large sectors of the economy. Still, this kind of racialization of financial expertise is not unique to Jamaica. An implicit post-war compact among Western allies was that the IMF head would always be European and the World Bank president, a U.S. citizen, notwithstanding the fact that both institutions are funded by 189 countries globally.

The IMF's Imprimatur

As mentioned above, the IMF was set up to promote the health and stability of economies within the international system. Consistent with this mandate, it acts as a lender-of-last-resort when countries face difficulty accessing private credit. However, the Fund's significance stems much more from its role in advancing structural adjustment reforms in economies-in-crisis than its ability to provide them with short-term funding. A representative from the IDB underscored the significance of the IMF's "policy framework" vis-a-vis its lending role in one interview:

The Fund comes in, provides a policy framework for adjustment and becomes the anchor around which all of the other lenders—particularly the official community like the IDB—have the confidence to come in and continue lending or increase lending. The Fund itself generally does not provide a huge amount of the financing in a case like this. Its role is primarily catalytic.

Because of this 'catalytic' role, actors in the international capital market come to place considerable weight on the IMF's assessment of a country's commitment to fiscal discipline and market-friendly policies. In other words, gaining the IMF's imprimatur has become an important step for countries who wish to access credit in the context of budgetary shortfalls.

To be sure, the Fund rarely has occasion to intervene in developed countries, which are generally seen by financial markets as structurally more creditworthy. However, for developing economies that experience severe fiscal crises, the IMF's stamp of approval becomes essential if they are to garner the confidence of lenders globally. For this reason, in the post-recession environment, the Jamaican authorities appeared keen to engage the Fund in two ways. First, it needed to get the Fund to agree to an adjustment programme which would signal to international capital markets that the government was committed to fiscal austerity. Second, it needed to

successfully implement the IMF's market-friendly prescriptions to give creditors and investors confidence that government policies would support returns on their capital.

Several of the policy elites I interviewed underscored the significance of a successful IMF deal for Jamaica's ability to access financing in the international capital market. One EPOC member, for example, pointed to the negative consequences that arose from the government's failure to complete the 2010 SBA:

So, what happened now was that, by 2011 [after Jamaica abandoned the 2010 SBA], we were a pariah in the international financial system. Because once you have a breakdown with the IMF, you are like a pariah because the IMF's imprimatur is of paramount importance to getting access to the international market. So, basically, we were shut out of the markets.

Likewise, a Finance Ministry official emphasized the importance of engaging the Fund when courting other lenders:

So, the government had to find a way to deal with that situation. The only place that was lending at the time was the IMF. So, if you did not have the IMF seal of approval, no one else would touch you. But once the IMF gave you its blessing, then they would not only provide [financial] support, but it means that the other multilaterals and lenders would also provide support. So, it was critical at the time that we get that deal with the IMF going.

The mechanism by which the IMF's imprimatur translates into high market confidence often involves credit ratings agencies. These agencies—who supply credit risk assessments of countries and firms to market actors as a commercial service—pay close attention to the IMF's evaluation of a government's economic management. One economist, for example, noted that the failure to abide by IMF prescriptions often results in ratings agencies downgrading a country's creditworthiness:

Remember, the markets work with the IMF, and the multilaterals work with the IMF. So, if the IMF says that you're out of line, you're not getting any money from the IDB, you're not getting the money from the World Bank. And the private capital markets use that as a signal because the ratings agencies are going to downgrade you. Standard & Poor's, Fitch, and Moody's are going to downgrade you once that takes place.

Indeed, after Jamaica flouted the conditionalities tied to the 2010 SBA, it quickly received successive downgrades from Fitch and Standard and Poor's, two of the most

reputable ratings agencies in the global financial community. Market actors, in turn, rely on the risk assessment of these ratings agencies when doing their due diligence prior to lending or investing.

But why were Jamaica's efforts to engage in an IMF programme so important to these agencies and the wider financial community? International capital markets interpret the IMF's decision to support a government-in-crisis as an endorsement of that government's commitment to capital-friendly policies. Lenders and investors alike can derive a measure of assurance that the IMF's influence over the government's economic policy direction will steer it away from policies that might lead to higher corporate taxes or more extreme outcomes such as controls on capital movement or the public take-over of private assets. IMF programmes, therefore, provide capitalists with a predictable regulatory structure that limits the potential for unwelcomed government intervention in the domestic economy. This concern on the part of capitalists is reflected in the Jamaican private sector's strong support for the EFF. Despite the Fund's decision to remove incentives for the tourism sector (see Chapter 4), one industry lobbyist welcomed the idea that the government now had "a master over them" in the form of the IMF. For the tourism lobbyist, the IMF programme provided predictability by locking in the benefits of a lower corporate tax rate and ensuring that the government could not reverse the changes if it wished.⁴³

⁴³ The lobbyist welcomed "IMF strictures" in the following passage: "Well, in terms of the whole tax regime, it is laid out. So, you know what taxes you are going to pay, [and] what exemptions exist for individual items. You know that the government is not going to go and change it next year, so you can do some forward planning. And we know that because we are under IMF strictures -- maybe 5 years from now the government might revert to the old way of operating and make changes -- but right now while they are under IMF strictures and basic control and once they put the regime in place, we know that it is here for a period. So, the predictability of it is very important. And like I said, what we have gotten now -- and not just the PIR [productive import tax waivers] but the whole regime -- it's something we feel we can live with. [...] Minister Shaw cannot come in tomorrow morning and change this. This is sacrosanct for, at least, the period that they have a relationship with the IMF and with other funding agencies because right now there is collaboration between all of them. They are all reinforcing each other. [...] Because, in other words, there is another master over them. I am not saying that if that master did not exist, that they wouldn't change it when they feel like. But for the time being... And after the IMF

It was, therefore, in the context of Jamaica's need to regain the market's confidence that the IMF possessed the leverage to insist that the government pursue stringent austerity measures. It should be noted that, in my interviews with Fund staff, they sought to emphasize that the EFF programme targets were arrived at through a consensual negotiation process.⁴⁴ However, my conversations with local policy elites suggested otherwise. For example, one prominent businessperson involved in tax reform recalled that the authorities felt that they had little choice in the matter:

I tell you, the tax reform that happened in 2014 would not have happened without the IMF and IDB breathing down your neck. [...] You had to do it. You had to do it! You didn't have much choice. Your entire program depended upon it. So, something had to be done.

Moreover, as reported in the financial press, the Jamaicans had no say in setting the 7.5 per cent primary surplus target,⁴⁵ which local elites viewed as the most important conditionality for the IMF, and also the hardest to achieve. According to an article (2020b) from *Alphaville*, a reputable *Financial Times*-run online blog featuring commentary from financial experts and journalists, several senior IMF staff met informally in 2013 to iron out the details of a potential EFF programme with Jamaica.

regime comes to an end, they are not going to disappear. And, as I said, all the funding agencies now work together. So, if it is the IMF or the World Bank or whoever, they all subscribe to the same philosophy. And, after all of this, we don't want to go through upheavals every year with the government fighting over taxation. No! Put the regime in place. It is working. And so, let it remain."

⁴⁴ A Fund official framed the EFF negotiations as a "back-and-forth" between equal parties. Interviewee: *"They [the Jamaican government] will have a set of proposals. We [the IMF] would have some informed by our assessment and informed by what we have seen elsewhere and informed as well by our discussion with other partners which the government would have also talked to them. So, it's an iterative process also. It's a back-and-forth. It's not that on the first meeting you agree and you shake hands. There is a lot of back-and-forth. There is pushback on a lot of the stuff and you say, "No, we cannot quite go this way because it has failed, and analyses show that it won't work. And looking at your economy, it is not likely to work," and stuff. So, you develop that kind of a back-and-forth."*

⁴⁵ To be sure, despite the lack of consultation in the setting of the original primary surplus target, the IMF did eventually lower the target after repeated pleas from the Jamaican government. According to a government official, *"So, we felt that the primary surplus target that was set at 7.5% was going to be difficult to maintain. So, we constantly lobbied the IMF team when they visited with us to have that reduced. So, we eventually succeeded and then they lowered the primary surplus by about a half of a percent. But they only lowered it at a point when they felt that Jamaica had been successful in doing most of the things that it promised that it would be doing. So that, I think, would have been the only real example where we would have lobbied to get changes to the program."*

The meeting was organized by the head of the Fund's Strategy, Policy and Review Department, which the article described as "one of the multilateral's most powerful arms" and "a kind of internal police force that oversees all its programmes around the world from Washington." It is during this meeting that the Fund's technocrats decided on the primary surplus target. By then, Jamaica had already achieved a 5.2 per cent surplus in an effort to convince the Fund to look past its failure to complete 2010 SBA. Underscoring the stringency of the eventual EFF programme, the *Alphaville* article quoted a former IMF official who characterized the target as "macroeconomic malpractice." The ex-official—who appeared convinced that the austerity measures required to achieve such a target would be detrimental—added, "It's why Jamaican programmes have been such a problem, they're so hostile to economic growth."

Private Sector Support

If the private sector appeared supportive of IMF involvement in Jamaica, it was also because the Fund welcomed their involvement in the EFF. While the IMF clearly played the primary role in setting the agenda of the EFF reforms, readers should not interpret this to mean that other policy elites had no role in the process. Rather the elites I interviewed described IMF technocrats as being particularly focused on achieving quantitative targets having to do with the deficit and debt levels (particularly, the primary surplus target). Their prevailing sense was that the Fund was largely indifferent to the specifics of its mandated policy changes so long as the reforms fell

in line with overall fiscal consolidation targets.⁴⁶ According to one business person involved in tax reform:⁴⁷

I didn't find them [the IMF] to be particularly dictatorial or unwilling to listen to either a local public sector or private sector perspective. But at the same time, while they say, "Yes, you must come up with it [policy specifics]," if you come up with foolishness, they are not going to sanction it. And, therefore, because of its importance to the overall programme, the whole process had to be taken seriously and there had to be a demonstration of earnestness about moving towards reform. So, I thought it was helpful.

In my discussions with Fund representatives, they echoed that they try "not to micromanage, any more than is needed, the implementation and design of policy."⁴⁸

The IMF, therefore, appeared to set the overarching programme objectives while allowing domestic elites to 'own' many of the policy details.

⁴⁶ An official explained that the government could pursue certain policies and projects under the EFF so long as it was costed to fit within the overall fiscal consolidation targets: "Let me tell you... their [the IMF's] thing was [achieving] a primary surplus of X, I think it was 7.5 per cent. And then you had to fit your revenue and expenditure into that primary surplus target. And there were certain commitments that you have that you cannot cut back on. And then you have to look at your debt-to-GDP. So that constrained the amount of services that you could give. For instance, you couldn't just go on a road-building program and a water program. You'd have to phase it in to fit into the numbers. [...] That is why we had to do those massive tax packages to bring us into a position to indicate to them that we could meet the 7.5 per cent and you're trying to put your fiscal house in order." A member of the private sector also explained that while the programme reflected the IMF's demands at its core, it nonetheless, became informed by Jamaican policy elites: "I would say they had little choice but to accept everything the IMF give them. And when I say the IMF gave them, to be fair, what happened was the IMF came and virtually, for a year, there was discussion back and forth between the technocrats in Jamaica and the politicians and the IMF. And although it is the IMF program in the core, a lot of it has been ameliorated and informed by Jamaican technical expertise and our experiences. So, I don't want it to seem as if it was just a straight imposition. But the core of it is the IMF. I would say that the government of Jamaica had no alternative but to accept an IMF program because all the capital markets were shut to them, virtually."

⁴⁷ Another private sector representative corroborated this claim: "We have this fiscal rule, which was a great piece of legislation introduced by the IMF which says that you guys have to put, every year, a budget that leads to sixty per cent debt-to-GDP in 2026. That is law! It is great. But within that rule, you have degrees of freedom to do shit."

⁴⁸ According to one IMF representative, "I should mention one principle and that is that we should try not to micromanage, any more than is needed, the implementation and design of policy. So, we focus very much on what is critical to achieve the objective of the program, to get the debt under control, to promote growth, to make sure that financing is available, et cetera. And policies that are critical to achieving that will be part of the program. But the exact modality of those policies is something that the authorities have a key voice in. They have a lot of leeway in terms of choosing specific policies to meet the objectives. For us, what is key is to make sure that those objectives are met. Not that it is done through policy A or policy B as long as they meet those objectives." A second representative underscored this point: "It is not incumbent on the IMF to tell the government where to spend. So, we do advise on the overall macroeconomic framework. And how much to spend on A, B, C, or D is the call of the government and the people of Jamaica."

However, as I show in Chapter 4, the IMF's posture did not translate into the government—whose leverage had been weakened by the loss of market confidence—having more control over policymaking. Instead, as one businessperson outlined below, influential members of the private sector stepped in to press their own demands:

And they [the private sector-dominated IWG] were able to argue with the IMF as to what would be the correct strategy and came up with a solution that was effective that was essentially a homegrown private-sector solution to a problem that the IMF insisted had to be fixed. They have a box that they have to check: "Yes, you have done the reform!" So, in this case, you were able to actually get the IMF to agree that the [private sector-formulated] tax reform satisfied their reform requirement. And the IMF would have gotten the IDB to agree that this has satisfied their requirement. And if the IMF says so, the IDB will also agree.

This influential role played by the private sector in Jamaica's post-recession economic policymaking was facilitated by both the stringency and urgency of the IMF programme. In the case of changes to tax code, one interviewee who helped formulate the new policy revealed that the pressure to meet the EFF's short timeline led to the head of the Jamaica's major business association and a private sector tax consultant becoming "part of an inner group [within the IWG] that was negotiating directly with the IMF over the reforms."

For the first half of the year [2012], there were meetings with different [private sector] organizations [and the government]. So, for example, the Chamber of Commerce would have presented a position [on tax reform], and the JMA [Jamaica Manufacturers' Association], and a number of others. And a number of people presented positions. And, in some cases, there would have been papers accompanying those. But I would say, nevertheless, that was not the most effective part of the process [of consultation between the government and the private sector]. The effective part of the process was when there was a very serious timeline to meet, the IMF knocking at the door saying, "Where is my reform?" And the private sector representatives—in particular, Mr. Matalon [head of the Private Sector Organization of Jamaica] and Mr. Denning [a tax consultant from PwC]—became part of an inner group that was negotiating directly with the IMF over the reforms.

It should be noted, however, that the multilateral representatives I spoke to insisted that they only negotiated with the government. Any meeting with private sector

groups, they suggested, were purely consultative much like the discussions they had with union representatives, small businesses and civil society. However, local elite representatives suggested otherwise, at times pointing to specific instances where prominent businesspersons attended negotiations between the government and the multilaterals. For example, a senior public official recalled being impressed by the quality of the contribution of local private sector members during deliberations with the IDB:

I will never forget... We had a whole day at the Ministry of Finance, the big conference room, where we brought in private sector people to actually participate in the negotiation, which is something we don't usually do. But, in this one, we brought in [three influential businesspersons], and I don't remember who else, to actually be at the table with the IDB—who were the ones in the multilateral group who were directly participating in the tax reform side of things—to knock heads with these people who had come with the recommendations to the Ministry of Finance as to what should be done. So, our private sector guys faced them directly. And it was lovely to see! I just sat in my chair and watched. Because we had a good showing by our people... definitely a good showing!

Fiscal Priests

When the IMF was established in 1945, the institution's role and policy approach were the subject of rigorous economic debate among mainstream economists. Since then, however, the IMF has come to rely exclusively on principles of monetarist and supply-side economics in managing economic crises. Indeed, one businessperson I interviewed characterized the Fund technocrats as “fiscal priests” in describing the “religious fervour” with which they push budgetary austerity. This ideological approach, advanced considerably in the post-war era by Milton Friedman and his disciples (Blyth 2013), places particular emphasis on protecting the interests of capital in economic policy design.⁴⁹

⁴⁹ The IMF's emphasis on business-friendly regulations is reflected in the following excerpt from my interview with a Fund representative. “*When we think about growth and what it takes to grow and develop an economy, there is not a simple, short, good answer. Anyone who looks at the growth literature knows that there are no simple answers there. [...] That said, there are many things that we*

On the fiscal side, the Fund calls for consolidating government by minimizing social spending and privatizing public agencies and functions. This provides the scope to lower public deficit and debt levels, which markets view as a future tax on corporate revenues.⁵⁰ Governments are also often encouraged to cut regulations, which are viewed as increasing the cost of doing business. On the monetary side, the IMF encourages governments to establish independent central banks free from political influence or public pressure. Central banks, they argue, should focus on maintaining a low-inflation, low-interest rate environment that helps keep investment and business operations costs low and that better preserves the value of private assets. Finally, to address balance of payments issues, the Fund often encourages governments to avoid intervening in currency markets and to loosen any restrictions. While these policies facilitate commercial and financial actors' access to overseas markets, they also tend to raise living costs for the poor and intensify economic instability in weaker economies.⁵¹

know undermine growth. There are many things that we know will need to be in place without which growth is not going to happen. For example, if you have a highly overvalued exchange rate, growth will not be durable. You can have short-term growth but not lasting growth. If the business climate is not friendly enough, it is if it is too hard to set up a business, too difficult to invest, too many bureaucratic hurdles, it is not going to work. If it is too difficult to get finance for a company, it is not going to work. So, there are many pieces that have to be in place. The government as a whole needs to be supportive of business."

⁵⁰ I found this view reflected by an IMF official who explained that simply providing tax incentives to corporations without lower spending to contain the debt would not be sufficient to attract capital: "Let us say you [are a country and] have high debt. I mean, you have to be naive to believe that the country is giving away tax and has a high debt burden. At the end of the day, they [the highly-indebted country] are going to tax you [the corporation]! It [the tax incentive] is temporary. It is not going to hold. Or maybe your plan [as a corporation] is to exit when this thing expires. Or you know that the tax that you will face afterwards is higher than otherwise. Because they will have to pay down the debt. So, either way, it seems like a failed strategy, especially in a country under strain."

⁵¹ An economist I spoke with noted the challenges that IMF programmes have posed for ordinary Jamaicans: "It [IMF programmes] is always political dynamite because many persons believe, even the IMF themselves, that initially what they used to have was a kind of one-size-fits-all philosophy which the people of Jamaica read as currency devaluation and public-sector layoffs because they're going to say that the reason for the twin-deficit is a massive public sector wages you are a paying in an inefficient economy and that inefficient economy results in the balance of payment imbalance that you have. So, you need to devalue the currency and reduce the public sector wage bill in order to deal with that problem."

During an interview with one IMF technocrat, I broached the question of whether there might be alternatives to a development model founded purely supply-side economics. Harkening back to debate between White and Keynes at the founding of the IMF, I suggested that policies that raise aggregate demand and increase social spending may also spur economic growth. However, the representative was unequivocal that “Ultimately, development has to be supply-side. Demand policies help you to navigate the economic cycle. But if you want to push your growth potential, it has to be supply-side!”⁵² In other words, the Fund official viewed demand-side economic policies as playing a role in spurring the business cycle in a well-capitalized economy. In times of high unemployment and low growth, fiscal spending could help jumpstart economic growth while, in times of high inflation and high growth, governments needed to reduce spending to help stabilize prices and contain labour costs. However, the technocrat maintained that developing countries needed to accumulate more capital stock to raise the growth potential of the economy. This would, therefore, require that governments commit, over the long-term, to fiscal consolidation and capital-friendly public policies to attract new investments.

⁵² The representative elaborated on this idea in the following passage: “*Ultimately, development has to be supply-side. Demand policies help you to navigate the economic cycle. But if you want to push your potential growth, it has to be supply-side. If you have shocks, of course, you want to use your monetary policy or fiscal policy to smooth out shocks. But, in terms of elevating your potential, it is clearly a structural problem. [...] The previous program had strong stabilization because of the situation. But now that macroeconomic stability is entrenched, the economy is more predictable. The question now is how to push the [economic growth] potential. Because you cannot sustainably grow, at the end of the day, above your potential. At the end of the day, you want to push your potential and use your short-term policy to be as close to potential as possible. That is where your interest rate reaches and the intertemporal substitution thing comes in. If you are below potential, you want to stimulate with the fiscal. But the fiscal now is purely debt reduction. There is no such thing as using fiscal policy in a countercyclical way because of your overwhelming debt burden. But, ultimately, you want to reach a point where your fiscal is used to go over the cycle. But Jamaica is nowhere there yet. A seven per cent [primary surplus] hardcoded is nothing near a countercyclical fiscal policy because the risk of going below that will overwhelm the growth benefit. Because the market will offset, your interest rate will go through the roof and you will pay so much on debt service. And then you won't have enough space to spend on the structural things that you need.*”

On its face, the technocrat's argument appears reasonable, reflecting a set of logical inferences about the behaviour of rational market actors (if the government does X, the market will respond with Y). However, the empirical reality is often more complex. Several scholars have demonstrated that market actors frequently violate rational-choice assumptions (England 1989; Sen 1977). Investors, for example, may give relative priority to factors such as geopolitical interests and sociocultural considerations, largely ignored by the IMF and many economists (Davidson 1980; Loree and Guisinger 1995; Meunier 2014). To wit, Jamaica's relationship to figures in the U.S. political establishment played a key role in the country's ability to secure a new IMF agreement. Since IMF funding decisions are often shaped by U.S. geostrategic interests, countries outside of Washington's sphere of influence—Cuba, Venezuela and Iran, for example—often have a harder time attracting international financing regardless of the soundness of their policy choices. Moreover, given that economies like Jamaica's are beset by high crime, poor infrastructure, inadequate technology, and a low-skilled workforce, it is doubtful that Jamaica will become attractive to overseas capital in the absence of significantly more public investment directed at improving the quality of life of ordinary citizens.

Finally, the economic sociology literature has demonstrated that governments can and do play a pivotal role in fostering economic growth and development. Scholars of the developmental state have shown that the state apparatus played an active role in the industrialization of nations such as France (Zysman 1977), Japan (Johnson 1982), South Korea (Chibber 2006). How do we reconcile these examples of successful state-led development with the claim that government involvement in the market threatens business confidence and triggers capital flight? In these cases, state managers succeeded in harnessing the business class to their own agenda for

capitalist development. Even in different cultural contexts such as Brazil, state-led industrial strategies have borne fruit where they promise mutual benefits for capitalists (Evans 1979). Thus, in the absence of a hostile business class, market confidence does not appear threatened by government-directed industrial policy. Besides, government involvement appears important to economic progress even in more liberal economies. Among the most successful economies globally in terms of per capita income, Switzerland and Scandinavian countries have embraced government intervention more than most of their Western counterparts. In Scandinavian countries, government spending accounts for about a half of annual GDP and the public sector employs a half of the labour force, whereas, in Switzerland, public expenditure is a third of GDP (Sharma 2019).

Free to Listen or Starve

Regardless of the merits of different policy approaches to development, Jamaican government officials understood that they needed to adopt IMF prescriptions to avoid an immediate debt default. To rework Marx's famous expression, the country was 'free to listen or starve.' The country's high debt levels and its marginal geopolitical influence also made it difficult for Jamaica to pursue alternatives that would further shake the confidence of the international capital market. However, these constraints should not be construed to mean that government officials always shared the IMF's ideological commitment to market policies (although they certainly appeared to, in many instances). In one exchange, a pair of senior government officials complained that the Fund's programmes did little to fundamentally address the country's long-term growth and development challenges. As one official expressed, "If you look at all the economies, the developing ones that have broken through, none of them ever went to the IMF for a programme for that":

Interviewee 1: We achieved the IMF targets. Except that the production side is still lagging. And just to say that the IMF and the World Bank don't really have a clue about the production side of the economy! They can tell you about the fiscal and monetary, but they can't tell you how to grow an economy. Except to say that if you get your monetary and fiscal in order, then you have the environment [conducive to growth]. But, in terms of the specific policy measures to get growth and sustain it, they can't help. If you look at all the economies, the developing ones that have broken through, none of them ever went to the IMF for a programme for that.

Interviewee 2: What was the name of the Prime Minister in Malaysia again? Uhm... Mahathir [Mohamad]! He was at that conference in Montego Bay. He cussed them off, saying they don't know a damn thing about growth!

While expressing relief that the situation had since evolved, one of these officials recalled that the country was unable to push back against IMF diktats in the past due to its own lack of technical expertise. Prior to the 1980s, they explained, the IMF would build econometric models based on assumptions that were not well-understood by the Jamaican authorities who were then expected to implement them:

Researcher: So, the government is aware that the IMF is not necessarily the solution?

Interviewee: No, no. We learned that from in the 1980s. In the 1980s, Jamaica built a negotiating team. Because prior to that, what would happen is the IMF would come in with their technicians and they would build their accounts and give it to us. They took the figures from us and built the tables and gave it to us! You don't know their assumptions! So, when we realized what was happening, we learnt to build the tables ourselves. And then it was a real negotiation! It wasn't that we sat down and said, "Yessir!" I remember those were some really serious times. Because they would just come in and say, "This is the prescription!" And we would say, "How did you arrive at that?" Because you are living here, and you know what impact it would have on the society.

Thus far, I have shown that IMF programmes play an important role in developing countries' ability to respond to fiscal crises. They do so by providing a structure that constrains economic policies in ways that favour capitalist interests. Markets, therefore, look to the IMF's endorsement of a country's economic governance as a signal that they can invest in or lend to a country without much risk of unwelcomed government intervention. In the next section, I examine the mechanisms that translate market confidence into favourable economic outcomes for

countries facing fiscal challenges. I also argue that the need to retain this confidence forms a central part of contemporary economic governance in a financialized global economy.

Market Confidence and Global Competitiveness

Enticing Investors

Tax Concessions

Capital markets shape a country's economic fortunes because they provide the capital flows needed to spur industrial growth. In the context of a liberalized global financial system, capitalists will tend to invest in economies that offer attractive returns. In doing their due diligence, they pay close attention to the fiscal and regulatory environment within which they will operate. For their part, governments must often compete to attract foreign capital, enticing potential investors with a promise of low taxes, few regulations and strong property protection. Indeed, this race to attract capital animated the push to overhaul Jamaica's tax system by lowering the corporate rate and generalizing sector-based incentives to all companies (discussed in the next chapter). It is also worth noting that, while the EFF reforms harmonized all other incentives into a single omnibus legislative bill, policy elites chose to keep the *Special Economic Zones Act* in place. This legislation provides the legal framework for setting up so-called 'special economic zones'. These zones—which have proliferated since the 1980s as a preferred policy solution for countries competing to attract investment (Babb 2005)—allow foreign corporations to establish operations in a jurisdiction without being subject to normal tax levels or usual regulatory laws.

Relative to other capital-friendly policies, tax concessions represent a convenient way to increase global economic competitiveness. Factors such as a

strong a court system, security against crime, a sound infrastructure and robust technology can play a pivotal role in encouraging overseas investments. However, these outcomes are often challenging for a government to achieve, particularly in the developing world context. In their place, tax incentives become an attractive option in a government's economic policy toolkit because they require no additional spending and are relatively easy to implement. In Jamaica's case, this need to offer incentives in order to compete with other economies animated policy discussions. For example, one lobbyist viewed incentives as imperative for any economy wishing to have a tourism sector that is viable in the global economy:

The point is that if you want to attract investment, you have to make sure that you facilitate [investors]. And you have to make sure that, within reason, your regime is competitive. Because one of the points that we kept hammering to the government at the time was that, "Look, if you were to compare what we had with what was being offered in some of the other Caribbean islands..." And you know that we have some members who invest in those other islands as well. They were getting [tax-free] regimes of, let us say, 25 years or whatever the case may be. Really long periods. And you have to compete with that! Who is going to invest in Jamaica if they look at our regime and compare it to elsewhere? You would have to be an idiot to come and invest your money in Jamaica when that same quantum of money could be invested in one of your sister islands [offer better incentives]. So, the government realized that, look, it just didn't make any sense.

However, there is an inherent contradiction in a government's pursuit of capital-friendly policies. On the one hand, providing tax concessions for corporations improves competitiveness by inviting more foreign capital. On the other, lower taxes reduces the government's revenue intake, undermining its ability to run budget surpluses and eroding its creditworthiness. To reconcile this contraction, governments that cannot raise money on the international capital market face few options but to cut public expenditure. If austerity is frequently recommended by multilaterals to poor countries in crisis, it is precisely because this is the only policy response that may potentially offset the lost revenues while retaining a capital-friendly fiscal environment.

Currency Depreciation

Currency depreciation represented another component of improving Jamaica's economic competitiveness. As part of the EFF, IMF officials pushed Jamaica's central bank to loosen its monetary control, allowing the currency to depreciate against the U.S. dollar. In the Fund's analysis, depreciation would benefit the export sector by lowering the price of Jamaican goods in overseas markets relative to goods from competing economies. Depreciation also cheapens the cost of investing in Jamaica for overseas capitalists since their foreign currency can buy more in Jamaica. Thus, in the absence of loosened currency controls, argued one IMF technocrat, Jamaica would find it harder to attract US-dollar denominated assets:

Now, in terms of the monetary exchange rate, the competitiveness of the economy was weak—as you could have inferred from the large current account deficit—which speaks to a non-competitive economy [...]. But you also have structural competitiveness, such as: having a good business climate; a good business environment, including a safe and secure environment where firms are comfortable coming in; having an FDI [foreign direct investment]-friendly environment. So, those have to be dealt with also. So, the currency was assessed to be overvalued. So, there was the need for a correction in the exchange rate to make sure that, at least, you're not overly pricey vis-a-vis your competitor. Because if I have to decide between Cancun and Montego Bay, and I'm sitting in New York, I think of it in US dollars.

Why, then, might a government not want to depreciate its currency if it improves export competitiveness and attracts growth-enhancing capital investment? After all, countries like China—which became one of the globe's leading goods exporters while attracting significant levels of capital from the industrialized West—have done so with great success. A primary drawback of depreciation is its effects on the purchasing power of workers and the poor. Since economies like Jamaica's have neither robust export industries nor a particularly dynamic productive sector, workers spend a significant portion of their incomes on imported goods. While beneficial to export businesses, a cheapened domestic currency also means that foreign goods are now more expensive to purchase. Additionally, small business owners and the self-

employed who tend to sell exclusively to domestic consumers experience greater productivity challenges as depreciation increases the local price of oil and other imported inputs. Currency depreciation is, therefore, likely to benefit a few large export-oriented businesses while imposing a higher cost of living on the majority of Jamaicans. To be sure, the downsides of currency depreciation might be mitigated by a careful long-term strategy of capital and trade controls and import substitution. However, the rapid globalization of financial markets after the 1980s effectively precludes any meaningful restrictions on capital movement.

Creditworthiness

Governments also adopt capital-friendly policies in a bid to assure creditors that they will meet their debt obligations. As I have outlined, the IMF's hand in helping Jamaica avoid default emanated much more from its ability to engender trust in the government's commitment to honour its debt than from the emergency financing it provided. As is the case with investors, creditors' trust in the soundness of a country's public finances takes on particular importance in a financialized global economy. Governments must compete among themselves and with corporations and financial institutions to attract lenders in the international capital market. Furthermore, loans issued by governments of poor, indebted countries attract a higher interest premium because they involve an elevated risk of a default.

However, poor countries can lower the cost of borrowing if markets perceive that they are committed to fiscal austerity. This is because governments that opt to run budget surpluses—typically by cutting spending on social services and public infrastructure—have a greater fiscal cushion to meet repayment obligations during economic downturns. On the contrary, governments that run high deficits present a greater potential for default in the event of external shocks like a global recession.

Worse still, an outright debt default tends to do lasting damage to a government's credibility as creditors become hesitant to lend in the future. This, in turn, makes it difficult for a country to affordably finance public expenditure. Indeed, if debt defaults are quite rare and draw considerable attention within the global financial community, it is precisely because of its dire long-term consequences.

When Jamaica faced its impending default after the Great Recession, credit ratings agencies began signalling to the market actors that Jamaica's risk profile was elevated. Jamaica continually received downgrades despite the government's considerable attempts to raise revenues by restructuring its debt with the local financial sector and imposing unprecedented tax measures. One financial insider captured the climate that the Jamaican authorities confronted as the recession set in:

Now, in July 2009 when it became obvious [that Jamaica was shut out of the international capital market], Standard and Poor's downgraded us because of the debt swap proposal. They were going to downgrade us anyway because things were falling off the cliff. In fact, I was one of the last persons I think they called before they downgraded us. And I said it was very bad of you to downgrade us! But when you have an 18 per cent of GDP interest costs versus Guyana which is 7 per cent, there was no way....

However, Jamaica's subsequent efforts to achieve one of the highest primary surplus balances globally proved to be the lifeline the authorities needed to regain creditors' confidence. Soon after the government successfully completed the EFF programme in 2016, financial markets improved their outlook on Jamaica's creditworthiness (Collinder 2016; Jamaica Gleaner 2016b). Commercial interest rates also fell as austerity measures provided the fiscal space needed to lower public debt servicing costs and reduced the government's appetite for new debt (World Bank 2020g). A World Bank representative I interviewed reflected on the positive shift in the markets' outlook in response to the government's considerable efforts to achieve fiscal austerity:

So, when you get to that point [of being in a fiscal crisis], confidence is low, and everybody is getting a bit anxious. What entering into an IMF program does is it sends a signal to your credit rating agencies that you are serious about reforms. I must tell you, though, that in 2013 when they signed that agreement, because Jamaica had had so many bumpy rides with the IMF and the IDB and the World Bank in the past, there was very little confidence that they would pull through. So, there was a lot of political will vested in this programme because, I think, the administration at the time realized “I don't have too many degrees of freedom left, very little wiggle room, so let us just get on with it!” So, they bit the bullet and made a lot of sacrifices, meaning they managed to keep their fiscal house in order, as I mentioned, for the last five years by producing primary surpluses; which allowed them to reduce the debt over time. So, they started out at 150 and now they're down by the end of this fiscal year to something like 105 per cent of GDP, which is an extraordinary effort in a short space of time! So, Jamaica's creditors, abroad and domestically, said, “Oh, things look like they're turning around. Maybe we can start having a little more appetite for Jamaican debt.”

Importantly, a crisis of confidence may even compel public officials to prioritize the interests of capitalists in instances where the government is not the debtor. As I briefly touched on in Chapter 2, a substantial portion of Jamaica's high debt burden can be traced to the financial meltdown of the mid-1990s when soaring interest rates (averaging 40 per cent nominally!) led to an insolvency crisis in the banking sector. By 1997, the government had intervened to contain the collapse. In the process, it acquired the junk assets of major financial institutions, causing a 34 per cent spike in the public debt as a fraction of GDP (Johnson and Montecino 2011:5). Concerned that it needed to reinject confidence in the local financial market to prevent further economic fallout, the government opted to fully or almost fully indemnify depositors both their original deposits and the overinflated interest earned. To be sure, it is not uncommon (and may even be advisable) for governments to insure deposits in the event of a banking crisis. However, this compensation is typically distributed on a tiered basis such that persons with smaller savings amounts receive a larger fraction of their original deposit than those with larger amounts. Jamaica's policy response, however, resulted in a significant upward redistribution of wealth as taxpayers were called on to compensate the losses of wealthy depositors. In fact, this episode would

come up in one of my interviews with a prominent businessperson who expressed disbelief at the government's response, which they too faulted for Jamaica's chronic indebtedness:

I'll never forget, there was an American who ran the rice mill in Montego Bay. And he had his money in Century [Bank] earning 40 per cent and 50 per cent. He was absolutely blown away when he was told he will get back his money! He couldn't believe it! Because, of course, for three, four, five years, he was earning 40 to 50 per cent... maybe 25 per cent in real terms. So, what he had left in there... basically he had taken out most of the earnings. And they're going to give them back 100 per cent! And, [Finance Minister] Davies's argument at the time was that we're just achieving a level of economic stability and you're going to damage the confidence of the Jamaican consumer if you don't pay them 100 per cent, et cetera, et cetera. And I am sure that, in the context of a Cabinet setting, there was a lot of political fallout if they didn't pay 100 per cent. And so, the decision was made. And if our debt burden today is 135 per cent [of GDP], probably 50 points of that is FINSAC [the government body set up to acquire junk financial assets]. We'd be in a vastly different place [if the policy response had been different]!

Capital-friendliness

If policy elites approached the EFF programme with great urgency, it was because they themselves recognized its importance of regaining the confidence of the international capital markets. This imperative to regain market confidence was readily apparent in all my elite interviews. One private sector representative described capital-friendly reforms as an imperative:

Well, look, the Extended Fund Facility, as far as I am concerned, was a must! And what it did was to give a boost to the country and restore a level of confidence in the economy. [...] So, we were tied to certain conditions which assisted us to tighten up how we dealt with fiscal policies. So, it was good, I also believe, for the [domestic] market because the major thing you have going for a market is confidence. And the lack thereof destroys a market. So, we were comfortable with it... it was a must! I don't know that we could have done anything else.

Indeed, their reforms efforts appeared to bear fruit as markets got wind of the Jamaican government's austere fiscal management. Foreign direct investment increased to almost 1 billion USD in 2015 and 2016 respectively, from a low of 173 million in 2012 (World Bank 2020a). Noting this surge in new investments, an

economist I interviewed pointed to the government's capital-friendly reforms as the impetus for the markets' renewed confidence in the Jamaican economy:

So, we see that international investor confidence and local investor confidence has been restored. In fact, confidence is at its highest level [ever recorded]. Over the last four years, we have seen confidence continue to improve. They [sic] are at an all-time high now, although they are turning down. So, we need to continue to successfully navigate the arrangement [with the IMF] in order to keep investor confidence high. So, we see that confidence being translated into foreign direct investment, we see that confidence being translated into the number of companies that are doing Initial Public Offerings of shares on the stock market.

Capital-friendly policies are central to market confidence because they provide economic predictability and legibility, vital components of risk management for sound investors and lenders. This need for predictability, for example, drove the multilaterals' push to eliminate the government's prerogative to grant discretionary incentives. It also underscored elites' perception of the need for spending cuts since fiscal crises are likely to require that governments unexpectedly introduce additional taxes where they are already running a deficit. Indeed, IMF representatives often emphasized the importance of predictability in gaining market confidence in my interviews.⁵³

⁵³ An IMF representative explained that the predictability of the tax system can be as crucial as the tax rate itself for investors: "*I think mostly our assessment was that the corporate income tax system was too complicated, too arbitrary, and hard to predict. So mostly, we wanted the system to be a lot more streamlined and simpler. So, as an investor, you would know ahead of time what you would expect in terms of your obligation. You could look at the law and understand what it meant for you. Not dependent on special discussions with the minister, on how he would offer special incentives for you or not. But that you would have certainty and clarity as to what the system would mean for any particular investor. So that was our original starting point. Not that it was an average too high or too low, but maybe that for some people, it was too high if they did not get special incentives and, for other people too low if they got very generous incentives, but, on the whole, too complicated and too unpredictable.*" Another representative pointed to the important role of predictability in investors' due diligence: "*As a business, what are the things that will you be looking at [when looking to invest in an economy long-term]? You'll be looking at things like predictability, right? How predictable is the economy? What is the likelihood that from one day to another, there is going to be extortion? So, you are trying to look at the predictability. And that is macro-management, how the economy is managed [in terms of] inflation and government policies.*"

Summary

In summary, I have argued in this chapter that the IMF plays an important role in helping countries like Jamaica manage fiscal crises. This role stems principally from the IMF's imprimatur, which is seen as a signal of capital-friendliness in global markets. I have also shown that IMF reforms are shrouded in technical language that makes it difficult for the public to hold policymakers accountable and that often masks political considerations at play. Moreover, the IMF's approach to structural adjustment takes a distinctly monetarist approach that—against the empirical evidence from newly-developed economies—negates the government's role in fostering economic development. Finally, I examined the motivations for pursuing capital-friendly policies, arguing that market confidence provides an important mechanism for attracting foreign investment and financing. I also argue that the need to compete with other economies in a globalized financial system further constrains contemporary economic governance, making it difficult for public officials to adopt policies that threaten capitalists' returns. Throughout this manuscript, I emphasize that capital-friendly policies are not merely abstract instruments for managing economic challenges. Rather, they contain the real potential to remake the political-economic order.' In the next chapter, I examine this reorientation more closely.

CHAPTER FOUR: PRIVATE SECTOR REGULATORS

Merchants and master manufacturers are [...] the two classes of people who commonly employ the largest capitals, and who by their wealth draw to themselves the greatest share of the public consideration. [...] Their superiority over the country gentleman is not so much in their knowledge of the public interest, as in their having a better knowledge of their own interest than he has of his. [...] The interest of the dealers, however, in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the public. [...] The proposal of any new law or regulation of commerce which comes from this order ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men [...] who have generally have an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.

- Adam Smith, *The Wealth of Nations*

Karl Marx described taxes as “the life source of the bureaucracy, the army, the priests, and the court—in short, of the entire apparatus of the executive power” (Marx 2008:128). When governments are unable to raise sufficient revenues, it engenders a fiscal crisis that threatens their ability to fund the state and meet social demands. With the emergence of what Polanyi (2001) referred to as *haute finance*—an international system of financial cooperation among state and non-state actors—in the 19th century, governments found an alternative facility for raising revenues. Rather than rely solely on taxes, they could garner funds by issuing bonds on the international capital market. However, lending to a government that faces fiscal challenges presents the potential that a creditor will not be repaid. In severe cases, a fiscal crisis engenders a crisis of confidence in a government’s creditworthiness, preventing it from engaging in new borrowing.

Being shut out of the international capital market also means that a government is unable to meet existing debt obligations without large tax increases or deep spending cuts. This response is likely to have important political-economic implications as it redistributes the burden of taxation within society. Actors in the local and foreign

capital markets will also tend to view the crisis as an indictment on the government's economic management and the viability of the existing fiscal regime, leading to calls for structural reforms. These reforms, in turn, give rise to political contestation as social sectors intensify efforts to lobby for policies favourable to their interests. In liberal capitalist societies, wealthier quarters of the society tend to be at a distinct advantage in this regard. This is because the shortage of revenues increases their leverage relative to state officials as the government becomes more reliant on their cooperation and wealth to achieve fiscal stability.

Indeed, when the Jamaican government faced its own post-recession fiscal crisis, the local business community seized on the government's need to institute IMF-mandated reforms to advocate for changes to the tax regime. However, the private sector went beyond merely lobbying for more beneficial rates to push for a direct role in crafting the policy. The government also appeared beholden to wealthy local bondholders who demanded the prerogative to closely monitor the government's post-recession economic response. In both instances, the private sector exercised its influence through public-private policy schemes. While these mechanisms provided the appearance of a social partnership, I demonstrate in this chapter that they, in fact, contained the potential to fundamentally reshape state-business relations: whereas it is traditionally the government's prerogative to regulate the private sector, the private sector has increasingly assumed the authority to regulate government. In the first half of this chapter, I review how public-private schemes were instantiated to reflect capitalist interests. In the second half, I demonstrate that the so-called partnership reforms redounded to the benefit of the Jamaican business class, largely at the expense of public sector workers.

Bondholder-Dominated Policy Oversight

Economic Programme Oversight Committee

As a prior action of the 2013 EFF agreement, the IMF required that the Jamaican government restructure its domestic public debt. Any such restructuring would especially need to include the domestic bondholders since 75 per cent of public debt servicing payments were made to local financial institutions (Langrin 2013:4). However, the decision to only involve domestic bondholders stemmed from a deliberate attempt to avoid deepening the crisis of confidence in the international capital market.⁵⁴ The familiar relationships between state officials and the heads of Jamaica's major bond-holding institutions also facilitated the government's attempt to negotiate a restructuring agreement. In fact, those connections would lead to the private sector gaining a prominent role in monitoring the EFF implementation process.

In December 2012, the government began talks with representatives of Jamaica's four major financial institutions to launch the National Debt Exchange (NDX). This represented the second time in four years that the government had approached the institutions for a restructuring agreement. The earlier Jamaica Debt Exchange (JDX) agreement, which itself had been a prior action of the 2010 SBA, saw the financial institutions forgiving more than 40 billion JMD in interest payments. This time, the government was requesting an even bigger write-off of about 17 billion a year between 2013 and 2020. The bondholders, however, doubted the credibility of the

⁵⁴ A domestic bondholder who participated in the restructuring confirmed policy elites' preoccupation with preserving the market confidence as a primary motivation for excluding foreign creditors. "*And I think what you have to understand is that the JDX and the NDX [debt restructuring programmes] affected only domestic securities and domestically-held securities. None of the Eurobonds that the government had issued over the years were affected by the JDX or the NDX. So, from the point of view of the foreign investor, there wasn't a feeling that they were in danger of being intervened in the same way. So, I think that that might have caused some fall out in terms of investment [defaulting on foreign-held instruments], but as it happens, I think doing that [limiting the debt swap to local creditors] allowed them to maintain confidence in the capital markets.*"

Jamaican authorities. They reasoned that, by prematurely quitting the 2010 SBA programme, the government had squandered the multibillion-dollar sacrifice they had made during the first debt exchange to help stabilize the post-recession fiscal crisis. Any new agreement, they insisted, would need to involve a mechanism through which the bondholders themselves could closely monitor the public finances and the government's progress in implementing EFF conditionalities.⁵⁵

Furthermore, local bondholders had more leverage in the NDX negotiations than they had had during JXD talks. After the failure of the 2010 SBA, these creditors made the decision to only subscribe to non-callable bonds. Although they had willingly agreed to the initial debt exchange, bondholders understood that the government could have compelled a non-voluntary restructuring by recalling the bonds. Callable bonds afford debtors some measure of protection when interest payments cannot be made by allowing them to redeem the bond early, usually replacing it with lower interest rate loans from other sources. Thus, in 2010, the government may have compelled a recall, replacing part of its debt to the financial sector with cheaper multilateral loans. While such a unilateral decision would damage Jamaica's creditworthiness, it would also avoid an immediate default by forcing bondholders to forgo some of their expected interest payments.⁵⁶ Non-callable bonds, however, are

⁵⁵ A businessperson familiar with the discussions explained that *"Part of this agreement was also another debt exchange because the debt was getting out of control. You cannot get to refinance it from the international capital markets and the private sector felt burnt. So, part of the agreement was that you need to have a broad-based committee that could hold the government responsible to ensure that the breakdown that took place in 2010 does not happen again. So that is how the idea of the Economic Program Oversight Committee was developed."*

⁵⁶ The head of Jamaica's major bond-holding institutions discussed being compelled to do the JDX: *"You will recall this is the second restructuring that occurred in 2013. The first one in 2010, I believe. So, within three years. We were doing another restructuring. The first restructuring, we did not have that facility of talking to the government. It was just done. And they very courteously told us about it, but they didn't involve us in the management of the restructuring or anything like that."* He further explained how the subsequent decision to only subscribe to non-callable bonds forced the government to the negotiating table: *"[...] the first [JDX] bond restructuring was done on the basis that all the bonds issued were callable, so they had a right to call the bonds and restructure them. After that episode, we ensured that all the bonds that were subsequently issued and reissued were non-callable. So, the second time around the government had to consult with us on a restructuring. If we didn't agree to the restructuring,*

loans that can only be paid out at maturity. If the government wished to refinance these loans, bondholders would have to explicitly agree to negotiate changes to the existing terms of the bond contract.

It was in this context that the government and major bond-holding institutions signed a Memorandum of Understanding (MoU) in May 2013 to set up the Economic Programme Oversight Committee (EPOC). The committee—which acted as kind of financial “watchdog”⁵⁷—tasked itself with monitoring the implementation of the 2013 EFF. In this role, EPOC would continually assess the government's performance and release its findings to the market. By having a measure of transparency and oversight, bondholders anticipated that they could proactively bring pressure to bear on the government if it did not take tough measures to avoid default. According to one major bondholder:⁵⁸

And bearing in mind the fact that the 2010 [SBA] agreement—which was very painful—eventually got hit off track, we were determined that we needed to do everything possible to keep this one on track! So, I guess you could say ‘once bitten, twice shy.’ So our position to the government was: we want to have full oversight of how the program is being executed; which means we want transparency; we want the right to seek information from any government agency or minister who has anything to do with

it would be deemed a default. So that, I think, laid the basis for a lot more cooperation between the government and the bondholders.”

⁵⁷ According to an EPOC member, “EPOC played a very instrumental role because [it worked] with the policymakers to look at the numbers and assess where we need to be in terms of [EFF targets]. It also played the role of oversight. So, it is basically a watchdog on the government to say, well, these things are not being done or these things are being done, and report to the public which means that public pressure. [...] So EPOC played a very instrumental role. And without EPOC, we might not have been successful. The history before shows that when the government went into a loan, they were not able to be successful.”

⁵⁸ A member of EPOC also confirmed that the body was set up because local bondholders “felt burnt” by the failure of the 2010 SBA and wanted to ensure the government would stick to the implementation of the 2013 EFF. “[...] not only with the IMF but also the local private sector -- because part of this agreement was also another debt exchange because the debt was getting out of control, you cannot get to refinance it from the international capital markets and the private sector felt burnt. So, part of the agreement was that you need to have a broad-based committee that could hold the government responsible to ensure that the breakdown that took place in 2010 does not happen again. So that is how the idea of the Economic Programme Oversight Committee was developed. The objective of the committee is to keep the government on track and to ensure that the government stays on track with its arrangement with the multilateral community, the local private sector -- which is a part of the debt exchange -- and the workers of Jamaica who had to bear a sacrifice of accepting a freeze in their wages or below-inflation wage increases in order to ensure that we reduce the fiscal deficit and the imbalances in the economy.”

the programme; and we want the right to report it to the public. The latter request of reporting to the public really arose because even if transparency is granted, there is no law, there is nothing binding in the government towing the line of the programme. The only recourse we had really was to the public. And so, we stressed that aspect of it. And the government agreed. I thought that that was a good signal. It might have been a signal that they didn't have an alternative, but also it was a signal that they were prepared to be honest.

Thus, EPOC became an important interlocutor in the EFF reform process. Officials, including Cabinet ministers, made regular presentations to the group to report on efforts to achieve the EFF targets. The committee was also privy to sensitive information about Jamaica's public finances, regularly receiving reports from the Ministry of Finance on fiscal matters and the Bank of Jamaica on monetary issues. It also received reports on structural benchmarks from a special government unit set up to oversee the EFF's implementation. The unit was headed by a tax accountant from the International Financial Corporation, a World Bank-affiliated institution whose stated mandate is to promote private sector development in developing countries (IFC 2020). According to one EPOC member I interviewed, the committee specifically requested that the unit not be headed by a Finance Ministry functionary.⁵⁹ The member went on to emphasize the committee's importance, explaining that "[...] while EPOC did not replace the Cabinet, in truth, we operated at a very high level in terms of information that would be shared at EPOC."

The committee also periodically met with the IMF's EFF review team and sent its reports to the Fund's Managing Director. EPOC's interface with the IMF further

⁵⁹ For context, the full quote was as follows: "*But we asked for a dedicated team. Because what we found over the years was if you had person in the Ministry of Finance who would have their normal day-to-day routines to deal with and then you would now give them an added job, you would have one or other suffering. So we asked for, and it was given by the then-minister, for them to bring in the somebody who would have the responsibility to actually ensure that all that we said would be done, that that person would be working with a team to ensure that those things related to the IMF agreement were dealt with. That person had now left the system because we have completed... the constraints are not as they were at the beginning. It is a different kinds of IMF agreement, so it is not as important now as it was then.*"

strengthened its legitimacy as it could potentially influence the Fund's quarterly review of Jamaica's performance which, in turn, determined whether funding tranches were paid out. Thus, while EPOC did not have legal teeth, it did have the ear of important market actors and multilateral financial institutions. A committee member explained how the government's need to access multilateral funding translated into greater leverage for the committee:⁶⁰

Interviewee: So, we didn't have the teeth to say that X should be done or Y should be done. But one of the things that we recognized was that the government—because they were in a particular bind and they needed the drawdowns from the IMF—what we found was that anything that we wanted to make sure was implemented, we could make it a [informal] target.

Researcher: So, EPOC would meet with the IMF and say, "We think that these things should be targets because they're important." And the IMF would agree and go back to the government?

Interviewee: Right.

Thus, EPOC's clout allowed it to bring pressure to bear on the government to achieve desired reforms. But to whose benefit? In the next section, I demonstrate that, despite its appearance as a public-private partnership committee, EPOC was, above all, a mechanism for and by bondholders.

Bondholder Domination

Formally, EPOC took the form of a public-private partnership. The committee was co-chaired by Richard Byles, the CEO of Sagicor Jamaica, the country's largest bond-holding institution, and Bryan Wynter, the governor of the Bank of Jamaica (BoJ), the country's central bank. While the MoU that created EPOC had only involved

⁶⁰ The EPOC member further underscored how the pressure of failing to meet IMF targets provided added leverage to shape economic governance. "We ended up with a situation where laws were passed almost overnight whereas we know that that is not the usual situation in Jamaica. So, once we were able to identify that we were falling behind and we brought it to attention, just the thought that the drawdown would not be possible made it such that the government ensured that they met the particular targets that were set."

bondholders, the committee quickly expanded to include representatives from several influential private sector associations as well as the small business and agriculture sectors.⁶¹ Two representatives from public sector trade unions were also appointed to EPOC.⁶² These unions were considered to be stakeholders in the EFF reform efforts because of their decision to support IMF-mandated public sector wage freeze agreements.⁶³

Inviting different social sectors to sit on the committee served to legitimize EPOC as a social partnership effort. However, as I discuss further in the next section, this collaborative veneer belied the reality that the committee had been set up by powerful financial actors seeking to ensure that the government conformed to market expectations. Bondholders worried, however, that a committee composed solely of prominent financial players would likely be greeted with suspicion in the wider society. By one bondholder's candid admission, a more inclusive approach avoided the perception that EPOC was a "straight financial, 'big man' bondholder enterprise":

But the idea was to broaden it out to be more inclusive of all of the major stakeholders [...]. It was one of the strengths of EPOC. I think that it was not just a straight financial, 'big man,' bondholder enterprise. That it had the unions there, it had the agricultural sector, the broader private sector. I think it lent credibility to the process that we weren't just being very sectarian in how we pursued this programme.

Thus, while EPOC came to include several non-financial sectors, their involvement amounted to equal participation without equal power. Or as a prominent

⁶¹ These associations included the Private Sector Organization of Jamaica (PSOJ), the Jamaica Manufacturers' Association (JMA), the Jamaica Exporters' Association (JEA) and the Jamaica Bankers' Association (JBA). Representatives of the Medium, Small and Micro-Business Alliance and the Jamaica Agricultural Society also sat on the committee.

⁶² The committee consisted of two representatives of the Jamaica Confederation of Trade Unions which represents the country's public sector workers.

⁶³ A trade union representative from EPOC described being approached by the Finance Minister to participate in the committee: "And so, the Minister of Finance at the time approached us with the suggestion that if we agreed to be a part of a grouping, of a mechanism that would monitor to ensure that the government kept to its side of the bargain and to ensure also that Jamaica's economic program kept on track, then that is what the government would be suggested as a mechanism. And we all agreed. And so was born the Economic Program Oversight Committee which is basically set up initially to review the performance of Jamaica under the IMF agreement at the time."

businessperson described it when quizzed about the extent of their involvement, “[t]he real kind of horse-trading took place with the leaders in the financial sector and the government.” Not only had bondholders conceived of and insisted on EPOC oversight, but they also steered the committee’s work. Each of Jamaica’s major financial institutions had representatives, giving them more representation than any other sector. Although the BoJ governor nominally co-chaired the group, Sagicor’s Richard Byles acted as the *de facto* chair. Byles drafted all the committee’s monthly reports; albeit with opportunity for discussion and input from the other members. Unsurprisingly, EPOC’s reporting focused on bondholders’ concerns that the financial sector would be damaged by a second failed IMF agreement. One bondholder expressed in their interview that EPOC was ultimately established to help ensure that the government did not take further decisions that could negatively affect their balance sheet:

We have a significant position in government bonds, especially bonds at the long end of the market. And any adjustment of bond rates [and] tenures have a profound effect on us. And that is the reason why I was interested in what the restructuring of our debt would eventually turn out to be like. And, it was on that basis that the four largest bondholders met with the government, the Minister of Finance in particular, to discuss how the IMF programme would be implemented.

A Supposed Sacrifice

In my interviews with policy elites, they represented the oversight powers that bondholders arrogated to themselves as a *quid pro quo* for their willingness to participate in the costly JDX and NDX programmes. However, this participation was likely not as altruistic as they represented it. For decades, local financial elites have benefited more than any other social sector from Jamaica’s chronic indebtedness. This benefit accrued from their ability to invest in high-yield government bonds, some offering interest rates as high as 25 per cent (Jamaica Open Data 2020). Because

Jamaica's low creditworthiness makes it difficult to refinance at cheaper rates, the government must ultimately rely on increasing taxes to cover its interest payments. This dispensation significantly deepens economic inequality as the rich are able to compound their wealth while the poor shoulder an ever-increasing tax burden. In fact, one Jamaican politician has characterized Jamaica's debt cycle as "the greatest transfer of wealth from the poor to the rich since the abolition of slavery" (Jamaica Observer 2017).

Given the local financial sector's heavy exposure to government debt (CaPRI 2008), a potential default arising from an unsuccessful EFF agreement was not only a threat to the government accounts, but also presented significant risks for the balances sheets of banks and other financial institutions.⁶⁴ Besides, bondholders understood that restructuring was a far superior alternative to default. While such an arrangement lowered their expected returns, policy elites took careful steps to ensure that restructuring would not present systemic risks for the financial industry. My interviewees, for example, confirmed that IMF technical experts performed several stress tests, resulting in local creditors being "reasonably comfortable"⁶⁵ that their

⁶⁴ A government official underscored the fact that elites knew that a debt default would also engender a major banking sector collapse: "*Certainly, based on the discussions [between the government and the financial sector], the assessment was that the economy was in a very, very bad situation. I think the economy was on the brink of collapse. Certainly, the government was on the brink of debt default. And if that had happened, then it would have had serious repercussions right throughout the economy. You're talking about banks failing, for example, if that were to happen. So, the consensus view at the time was that there was a serious economic issue in the country that had to be addressed. So, we had a serious debt crisis.*"

⁶⁵ Government officials sought to reassure the bond market that the restructuring agreement would not be too damaging. As one official explained, the IMF's stress tests were an important part of this reassurance. "*Certainly, based on the discussions [between the government and the financial sector], the assessment was that the economy was in a very, very bad situation. I think the economy was on the brink of collapse. Certainly, the government was on the brink of debt default. And if that had happened, then it would have had serious repercussions right throughout the economy. You're talking about banks failing, for example, if that were to happen. So, the consensus view at the time was that there was a serious economic issue in the country that had to be addressed. So, we had a serious debt crisis.*"*Any major change during the debt exchange -- and this would be a second debt exchange -- would involve them significantly. And I am sure they were all concerned about the stability of the system if there was a haircut, or if there was too big a cut in interest, what it would mean for their bottom line, and so on and so on. So, we reassured them that we had done the stress test... we opened that up to them as well. They were comfortable... well, reasonably comfortable.*" A member of the private sector

books would sustain the debt write-off.⁶⁶ Thus, on examination, the argument that bondholders were motivated by the national interest appears to be more rhetoric than reality; one that, I argue throughout this manuscript, reflects a tendency to frame Jamaica's economic challenges in terms favourable to the interests of market actors.

Private Sector-Dominated Policymaking

In addition to debt restructuring, the IMF required that Jamaica overhaul its tax system as a pre-condition of the EFF agreement. To meet this requirement, the government issued a *White Paper on Tax Reform* in 2012 (Ministry of Finance and Planning 2012) outlining plans to eliminate discretionary incentives and converge tax rates, which were stipulated by the Fund. The document, which later formed the basis for the new tax legislation, also proposed to reduce corporate income tax rate from 33 ⅓ to 17.5 per cent. However, this lowering of the corporate tax rate had not been an official target of EFF. Instead, the White Paper emanated from the Incentives Working Group (IWG), a public-private body charged with formulating the specifics of the new, IMF-mandated tax regime. Like EPOC, the decision to create the IWG arose from

corroborated that bondholders understood that the risks would not be significant: *"At the end of the day, any possibility in the JDX and NDX of any kind of systemic risk to the financial sector were very carefully accounted for in terms of whatever haircuts they were forced to take. But, basically, what it amounted to was swapping high-rate government paper for lower-rate, longer-tenured government paper. And, at the end of the day, while it imposed a level of burden on the financial sector, it was not such that it created any kind of systemic risk to the system, which was one of the dangers. You had to be very careful. You know, what does this do to the capital of the financial sector relative to the regulations, prudential levels and that kind of thing."*

⁶⁶ As a prominent business person familiar to the negotiations described the work that went into ensuring the restructuring agreement would not spell disaster for the financial sector: *"Essentially, in both cases, the [JDX and NDX debt restructuring] was handled by Citibank who brought a gentleman down here who had done similar such exchanges in other jurisdictions. And they worked with the Debt Management Unit [in the Ministry of Finance] on the technical aspects of it. The real kind of horse-trading took place with the leaders in the financial sector and the government. I remember being invited to Vale Royal [the Prime Minister's residence] and all of the financial sector players were there and the Minister of Finance was there. And there was a fair amount of moral suasion going on: "This is something that has to be done for the good of the country." Which I think was true. But, ultimately, [the bondholders] accepted that. But they accepted it also in the knowledge that it was not going to be a financial disaster for them. It was so constructed that it wasn't going to input anybody under as a result of some government fiat."*

private sector pressure. In one interview, a prominent businessperson who was instrumental in the IWG's creation recalled having "a few heated conversations with the Minister of Finance" about the need to set up the body.⁶⁷

The IWG resembled EPOC in other important respects. The dominance of business interests was also evident in the IWG's composition, although the body gave the appearance of a social partnership. Of the eight working group members, two were government officials while one represented public sector unions. Four members came from the business community while the remaining person was a private sector tax consultant. The multilateral agencies involved in the EFF had anticipated that the IDB—which had previously done extensive work on taxation in Jamaica—would take the lead in providing technical analysis on tax matters. However, the private sector members in the IWG brought on the tax consultant to handle the technical analysis relating to the corporate tax cut. Absent from the body were any technical experts from the Ministry of Finance. An IWG member confirmed the prominent role played by the private sector consultant in the following exchange:

Researcher: So, the IDB, on paper, was supposed to provide technical expertise?

Interviewee: Yes. That is not actually what happened. What was key was the private sector, in particular, in the form of Mr. [Joseph] Matalon who was head of the PSOJ [Private Sector Organisation of Jamaica] and had the weight of the PSOJ and, of course, was very knowledgeable about tax issues anyway. But, more importantly, you had Mr. [Brian] Denning who is probably the leading tax practitioner in Jamaica and very familiar with all the issues. And they were able to argue with the IMF as to what would be the correct strategy and came up with a solution that was effective that was essentially a homegrown private-sector solution to a problem that the IMF insisted had to be fixed.

In fact, the IWG's policy proposals appeared to be a recasting of earlier private sector efforts. The tax consultant and private sector participants on the IWG had

⁶⁷ To quote the businessperson in question: "I think it is a credit to the government that they allowed for -- although it was under a bit of pressure -- allowed for the kind of cooperative design with stakeholder input that the IWG. [...] That was pressure from the private sector. I had a few heated conversations with the Minister of Finance before he agreed to the establishment of the IWG."

previously been part of the Private Sector Working Group on Tax Reform (PSWG). The PSWG was set up in 2010 by the Private Sector Organization of Jamaica (PSOJ), the country's most powerful business association. It also involved other influential lobby groups like the Exporters' Association, the Manufacturers' Association, and the Hotel and Tourist Association. In anticipation of IMF-prescribed changes to the tax system, the coalition of private sector interests had moved to establish the PSWG to lobby the government. In its submission to parliament in February 2012 (diG Jamaica 2020), the PSWG advocated for lowering corporate income tax to 15 per cent. In fact, certain PSWG members had been arguing for the reduction in corporate taxes from as early as 2004.⁶⁸ It was, therefore, unsurprising that the IWG's White Paper came to resemble the PSWG's work, including the recommendation to reduce corporate taxes. However, it was not until the government entered into the severe post-recession crises that the private sector appeared to gain sufficient leverage to advance these reforms.

Like EPOC, the IWG reflected business interests in both its origin and its operation.⁶⁹ Nonetheless, policy elites were concerned about the optics of adopting private sector demands for lower taxes in the context of a severe budgetary shortfall. My interviews revealed that it is this concern that led elites to rebrand the PSWG as a broad social collaboration by including government and union representatives. Indeed, one IWG representative spoke candidly about the efforts to ensure that the government would not appear to "take the PSWG report wholesale":

⁶⁸ I refer here to the 2004 Matalon Report on Tax Reform which proposed a reduction in corporate taxes, among other recommendations. The report was written by Joseph Matalon, one Jamaica's most prominent businesspersons. Matalon went on to chair the PSWG.

⁶⁹ To be sure, the government also lowered consumption tax by one per cent. This might have been seen as benefiting the poor, except that it came on the heels of the largest tax increase in the country's history to satisfy the IMF's prior actions and was offset in the legislation by the removal of tax exemptions on a basket of basic items consumed by the poor.

But, in any event, in February of 2012, [the PSWG] made the submission and we appeared before Parliament. But the government was in the middle of renegotiating an IMF agreement. They didn't get to that till very late in 2012 and, really, no progress was made in terms of actually implementing any of these reforms. And we made representations to the Minister. He obviously didn't want to just take the PSWG report wholesale, so what we suggested to him is, "Look, the first element that you're going to deal with is the reform of the corporate tax system as well as incentive regimes. And what we would suggest is that you form some kind of public-private working group.", which eventually became the Incentives Working Group.

Remaking State-Business Relations

As I have outlined, policy elites sought to frame EPOC and the IWG as social partnership mechanisms. However, these schemes masked efforts by corporate actors to advance their own interests in the context of EFF reforms. In this section, I also contend that these mechanisms contain the germ of a fundamental re-ordering of state-business relations. Whereas it has traditionally been the government's prerogative to regulate the private sector, the private sector is increasingly called upon to regulate government as a means of shoring up market confidence. I also argue that the private sector's ability to arrogate a kind of regulatory role to itself was facilitated by the IMF's desire to promote "domestic ownership" of policy oversight. Finally, I show that these shifts in state-business relations have led to the perennialization of several other private sector-led mechanisms.

The Fear of Capital Flight

The claim that private sector-led policymaking and oversight mechanisms represent a kind of inversion of the public and the private spheres should be understood within the context of the deregulation of financial markets in the 1990s. This deregulation played an important role in facilitating the rapid movement of capital across borders. Within this dispensation, governments advancing policies that threaten business interests confront the prospect of capital flight. Rapid and

unexpected capital movement can also have a destabilizing economic effect. Wade (2000) has argued, for example, that the 1997 Asian crisis was precipitated by a sudden reversal in capital flows between regional economies. Therefore, governments in financially-liberalized economies seek to maintain high levels of market confidence to avoid the adverse effects of capital flight.

In the event of a fiscal crisis, governments face a particularly elevated risk of capital flight as market actors anticipate higher corporate taxes and other attempts to raise revenues from their assets. To reassure capitalists, governments are likely to become more acquiescent to private sector demands. They may also seek to adopt, and even entrench, pro-market policies that 'lock in' corporate benefits during periods of tough fiscal adjustment. Indeed, governments across the world have gradually constrained their own fiscal and monetary prerogatives to intervene in the market in a bid to appear more capital-friendly. For instance, it has become best practice for governments to cede monetary policy to independent central banks whose functionaries are often pulled from the financial sector and who remain a part of elite policy circles unaccountable to the electorate (Kalaitzake 2019). In fact, the EPOC chair, who had been the CEO of Jamaica's largest bond-holding entity, was appointed as governor of the Bank of Jamaica soon after the IMF programme was concluded. Globally, governments have also opted to institute fiscal rules that place legal restrictions on public expenditure (Lledó et al. 2017). In Jamaica's case, the IMF similarly required that the government implement a fiscal rule to cap the deficit and debt as a reform conditionality.⁷⁰

⁷⁰ An IMF official underscored the importance of Jamaica adopting fiscal rules in order to maintain business confidence: *"And Jamaica has been developing such a [fiscal responsibility] framework, included legislative change like the fiscal rule which is binding regardless of who is in government, like EPOC which is made of private sector stakeholders, and other forms of monitoring that are maturing that are fairly new. Because, in those types of mechanisms, the key is credibility. And credibility is earned over time. You have to show the gains and the merit before buying into it."*

Jamaica's efforts to preserve market confidence took on a novel aspect, however. Although policy elites took steps to mask its corporate dominance, EPOC and the IWG effectively placed the government under private sector oversight, in the case of former, and conferred the government's economic policy-making prerogative to private actors, in the latter case. To be sure, I do not mean to suggest that these two committees by themselves represent a complete corporate capture of economic policy. Rather, they emerged as embryonic manifestations of wider shifts in political-economic relations between the state and business sector. Nor were they the only such manifestations. As I discuss below, business interests found other novel ways of gaining a significant role in economic governance within the context of the IMF's attempt to promote "domestic ownership" of the EFF reforms.

Domestic ownership

While the private sector's involvement in direct policy formulation and oversight appears new, multilateral institutions like the IMF have long assumed this role in countries facing economic challenges. However, the Fund has increasingly declined in global prominence, in part due to the reputational damage it has suffered for poor structural adjustment outcomes. Additionally, its critics have popularized the image of an institution keen on imposing one-size-fits-all austerity measures on developing countries with little regard for their impact on the poor (see Literature Review in Chapter 1). To counter this negative perception, the Fund has increasingly promoted the idea of domestic ownership as a guiding principle of its adjustment programme. Although the Fund has not operationalized what this ownership looks like (Khan and Sharma, 16), it generally refers to the idea that state actors should take a primary role in determining the course of structural adjustment. Indeed, in my interviews with IMF representatives, they appeared keen to emphasize the importance of domestic

ownership. Responding to a question about whether a desperate Jamaican government had any real leverage in negotiations with the Fund, one representative pointed to the supposed strong domestic ownership by the government during the EFF implementation phase.⁷¹

Researcher: So, does the government realistically have a lot of leverage in that [negotiating conditionalities with the IMF]? I mean, they are the ones who need the money.

Interviewee: I mean, they do. If you advise on the program that is not owned, then you're going nowhere. It has to be agreed on by each party! I can come here with all kinds of, with a programme... If it is not agreed on by the government, nothing is going to happen. You're going to complete one or two reviews and that's it. It has to be owned!

However, domestic ownership is not the same as government ownership. In Jamaica's case, the IMF's decision to not prescribe policy specifics regarding tax reform resulted in the private sector stepping in to force its demands on a weakened government.

Promoting private sector-led domestic ownership also protected the IMF's reputation as it pushed for one of the toughest adjustments in its history. The existence of nominally public-private collaborations meant that the austerity measures required to meet Fund targets were viewed as homegrown and consensual rather than the result of an outside imposition. Markets were also likely to welcome private sector dominance, despite the multilaterals' superior technical capacity. Unlike IMF staff who get rotated from one country to the next, these domestic 'stakeholders' are able to support permanent policymaking and oversight structures. An IMF representative

⁷¹ To be sure, IMF representatives also discussed EPOC in the context of domestic ownership. Citing the example of EPOC, a Fund representative outlined the perceived success of domestic ownership during the EFF implementation. "We would meet with [EPOC] every time there is a [IMF] review mission. We'd get their views. Of course, their assessment is purely independent of ours. But, given that we are looking at the same data, we usually come to the same conclusion, which, to us, is a very good outcome because this is ownership. This is monitoring being done by Jamaicans. So, it is not the IMF coming to say, 'You missed your target or this or that.' This is something that was done by Jamaicans, for Jamaicans."

underscored the potential for EPOC to replace the IMF's monitoring and evaluation role, emphasizing that Jamaica was "well ahead of the curve" in this regard:

Ultimately, you want a self-contained domestic process. So, you want a situation where Jamaica reaches a point where you have a domestic mechanism that would play that [government oversight] role. So, you don't need some external stakeholder to validate, but that third-party validation would be internal. And to meet that goal, it has to be perceived as non-partisan. It has to be an independent body which is seen as credible. And Jamaica has been developing such a framework, including: legislative change like the fiscal rule which is binding regardless of who is in government; like EPOC which is made of private sector stakeholders. [...] So, ultimately you want such mechanisms to be entrenched to serve as a third-party, nonpartisan validation. And Jamaica, on that front, is well ahead of the curve when you compare it to other member countries of the Fund.

Still, another Fund official underscored the perceived benefits of domestic ownership, pointing to the synchronicity between the IMF's and EPOC's roles and the importance to not having fiscal consolidation appear as "something that is imposed from the outside":

We would meet with [EPOC] every time there is a review mission. [...] This is monitoring being done by Jamaicans! So, it is not the IMF coming to you saying you missed your target or this or that. This is something that was done by Jamaicans, for Jamaicans. [...] It has to be seen as the country's programme, not something that is imposed from the outside. [...] And it is quite unusual across IMF supported programs to see that kind of organised involvement of the private sector.

Perennializing Private Oversight

The success of EPOC and the IWG led to attempts to perennialize and extend the private sector-led policy schemes. On the back of the widespread praise it received with the financial community, EPOC's members successfully pushed for the body to become permanent. One member explained that the move was necessary since the committee did not have confidence that the government would maintain fiscal discipline once the immediate crisis passed.⁷² Another member advocated that the

⁷² According to this individual: "EPOC operates differently now because we do not have that kind of borrowing relationship with the IMF anymore. We now have a Standby Arrangement which can now be called upon whenever we face a particular problem. But the program is not as stringent now as it was originally. But we still felt it was necessary to retain the EPOC mechanism because most of the

committee become a fixture of economic governance akin to the U.S. Office of Management and Budget (OMB).

So, you might ask yourself the question, what of EPOC in the future? And I would say that it is not that you must take your eye off the fiscal. You must keep your eye on the fiscal. But, more importantly, you need to have an oversight that is looking at how you're spending these dollars. [...] So, I would like to see an oversight similar in a way to the U.S. Office of the Budget [sic] where they have the technical expertise to look at what it is the government's economic and fiscal plan is and to assess it, not just in terms of how has it performed, but how optimal is it for the country.

However, EPOC differs from the OMB in obvious and important ways. Whereas the former was a bondholder-dominated initiative, the OMB is a government agency whose leadership is appointed by the U.S. Executive to produce budgets consistent with the President's priorities (White House 2020). Still, the view that a private sector-dominated body such as EPOC should be involved in the design of the government's budget is indicative of the push by capitalist interests to have a more lasting say in economic policy.

Private sector representatives also pushed for policymaking and oversight mechanisms in other sectors. By the end of the EFF agreement in 2016, the government had agreed to create at least three other bodies: the Electricity Sector Enterprise Team (ESET), charged with finding ways to keep energy costs low for producers; the Public Sector Transformation Oversight Committee (PSTOC), responsible for monitoring the reduction in the size of the public sector; and the Economic Growth Council (ECG), made up of representatives from government, the private sector and unions and chaired by Michael Lee-Chin, the head of Jamaica's largest bank and the country's wealthiest businessman. There was even a working group on crime which included exporters, manufacturers, and other businesspersons.

stakeholders feel that governments cannot be trusted to hold to their word; especially if it means that they have to do anything that is particularly not popular. So, we certainly, as non-government members on EPOC, we lobbied for EPOC to be retained so that we could ensure that Jamaica remains on the path to economic recovery."

These new committees snowballed from the influence that the private sector had gained through already-established mechanisms. According to an interviewee, EPOC members, for example, used the committee's leverage to insist that the government establish ESET a target of the IMF agreement:

So, what we eventually ended up doing was insisting that a provision of the reforms in the energy sector should be a target in this program. And we made it one. And I think this is why we ended up with the establishment of ESET, and ESET actually doing its job in terms of procuring or ensuring that the additional generation capacity that the country needed was actually realized. Because we actually made it a target in the IMF agreement. And I think that that view has spilled over into this current period where public sector transformation is one of the targets in the current programme with the IMF. So, I think the government responded more because they recognize that if we did not keep to those targets, it would have meant that they would not have been able to draw down on the funds that they needed.

EPOC's influence also proved to be important in the government's decision to enter a three-year Precautionary Stand-By Agreement (SBA) immediately after successfully concluding the EFF in 2016. While IMF programmes are offered to countries facing a crisis, a Precautionary SBA allows governments to agree to IMF reforms and oversight despite the absence of immediate difficulties. Doing so not only allows quicker access to IMF funding in the case of an economic shock, but also sends a strong signal to capital markets that a country is committed to fiscal discipline. As an one committee member explained, EPOC pushed the government to seek the precautionary facility to ensure that it would maintain fiscal austerity and market confidence beyond the life of the EFF programme:

Interviewee: When the members of the EPOC committee saw that the arrangement was coming to a conclusion and that there would be an election, one of the things that we said was that we know Jamaica has this history of deviating from its IMF commitments. So, one of the things that we were going to do is to tell the public that we need to stay in another IMF arrangement in order to ensure that the job is completed and that the new administration, whichever administration, does not once again deviate and put us back to where we're coming from. So, that is why we decided that the Precautionary Stand-By Facility [sic] would be something that is good at this particular point in time. [...] That has helped to improve investor confidence and we see it in investment numbers.

Researcher: So, the Precautionary Stand-By Facility that happened after the end of the EFF, was that specifically an idea that came out of EPOC?

Interviewee: Yes, because people like Richard Byles [co-chair of EPOC] and myself were saying that we need to hold them accountable. So, we want to enter into another arrangement. So, we made that clear to the mission chief, Uma Ramakrishnan, and we made it clear that the government. And they subsequently yielded because they would know that good sense would dictate that they maintain the confidence of the international community.

Thus, I have shown that several private sector-dominated policy schemes emerged in the context of the government's fiscal crisis. While these schemes provided an appearance of social partnership and domestic ownership, they belie an important shift towards private sector regulation of the government's economic management. Furthermore, the magnitude of the crisis and the government's attempts to regain the confidence of the capital markets facilitated its acquiescence to private sector demands. As one of my interviews with a prominent bondholder drew to a close, I asked if they thought the government's rush to complete EFF targets and proliferation of non-state interests might have been detrimental to sound policymaking. Rejecting the assertion, the interviewee advanced a view—commonly expressed by capitalists—that the government was prone to political expediency over sound fiscal management.

Frankly, I don't think it was detrimental because that grouping is essentially very politically-motivated, as would be natural. I think, you know, [Finance Minister] Dr. Phillips became very seized of the disservice that, I think, successive governments since independence have done to Jamaica in terms of not having maintained fiscal discipline; and all of what that that implied in terms of: crowding out the private sector, crowding out public sector capital investment, all of those things. And he recognised also that we had nobody to blame, really, but ourselves. And he was determined, jump high, jump low, in his term as Minister of Finance that those things were going to be done. And I think if you did not have as strong an individual as him driving the process—in particular as it relates to the interface with Cabinet—there would have been a lot more argument and introduction of politically-expedient-type provisions than you actually saw in the final analysis.

Whatever the validity of these criticisms of the government's poor fiscal management, private sector-led policy schemes should equally raise questions about

democratic accountability and potential for private interests to capture public policy. Whereas governments face public scrutiny and electoral consequences for poor decisions, private sector-dominated mechanisms do not contain mechanisms for holding stakeholders accountable for policy failures. Nor are these actors incentivized to balance capitalist interests with competing social demands from ordinary Jamaicans. However, given the imperative to maintain business confidence, this tendency to give primacy to corporate interests may well be the feature of such mechanisms, and not a bug.

Private Sector Benefits

Lowering Corporate Taxes

On its face, the urgency of the fiscal crisis necessitated that the Jamaican government raise additional revenue to avoid a debt default. Indeed, the 2013 EFF programme's primary objective was to achieve fiscal consolidation through a significant increase in consumption-based taxes. It, therefore, appears counterintuitive that the government opted to halve corporate income tax from 33 $\frac{1}{3}$ to 17.5 per cent as part of the economic reform. As shown in the previous section, this decision to lower corporate taxes emanated from the private sector's influence over the tax reform process. Moreover, whereas the IMF required that the government raise consumption taxes and cut public sector jobs, it remained neutral on the question of a tax break for corporations. But how did policy elites justify a corporate tax break in the face of a fiscal crisis? Below, I outline and scrutinize arguments offered by these elites that the corporate tax break would shore up market confidence and redound to the benefit of the whole economy.

One of the IMF's stated motivations for encouraging tax reform was to simplify it by converging rates across the economy. While the private sector-formulated tax legislation brought the headline corporate tax rate to 25 per cent (in line with the income tax rate), a number of exemptions were built into the new tax code which brought the effective rate to 17.5 per cent. Nor is it clear that the new tax regime was any less arcane.⁷³ In fact, the policy elites I interviewed appeared more concerned with getting the rate closer to 15 per cent—a change for which the private sector had long advocated—than converging it with income tax levels. As one private sector representative involved in the formulation of the policy noted:

So, when you combined the headline rate less the employment tax credits, less any deferred tax benefit that you get from there the accelerated depreciation, it brought you to around the same kind of 15 per cent mark, which is what we were trying to achieve. And that's ultimately what the recommendation of the IWG was, and was ultimately what formed the basis of the legislation

However, if reformers opted to keep the headline rate at 25 per cent, it was because they were conscious of the appearance of offering corporate tax breaks in the context of unprecedented austerity measures shouldered by the poor. Indeed, the representative was forthright about reformers' concerns regarding the optics of lowering the corporate rate:

Plus, the truth is that, from the standpoint of political economy, to reduce the corporate tax rate to 15 per cent [the private sector's original proposal], while you held the personal income tax rate of 25 per cent, optically didn't play very well. So, what we ultimately decided to do was to keep the headline rate at 25 per cent. But then we introduced these employment tax credits, which essentially said that all of the deductions—whether employer or employee deductions across the various payroll

⁷³ A prominent businessperson who helped formulate the new tax policy adumbrated the various exemptions that were included in the final legislation: “*And then I guess the second major reform was in the area of the system of capital allowances and tax depreciation where we provided for far more accelerated depreciation on certain asset classes than had existed before. So, for example, buildings that were either factory buildings or hotel buildings and so on; whereas prior to this, they were allowed to depreciate at the two per cent per annum on a declining balance – which would mean that it would take about fifty years to write off a building for tax purposes – we offered for those classes of buildings, first of all, a twenty per cent initial allowance and then, I think, it was four per cent per annum thereafter. But the effect of it really was that you were writing off your assets and about nineteen years or eighteen years whereas you were writing it off in about fifty years before.*”

taxes and income tax—would provide a credit. And the limit on the credit was 30 per cent of your tax liability before the application of the employment tax credits. So, essentially, if you were able to max out your employment tax credits, your rate would reduce by 30 per cent of 25 per cent down to 17.5 per cent.

Private sector elites justified the corporate tax reduction by reasoning that its benefits would boost investor confidence in the Jamaican economy. This, in turn, would spur capital investment and business activity. They also argued that the benefits of a corporate tax break would ‘trickle down’ to the pocketbooks of ordinary Jamaicans, as producers pass on cost savings to consumers. However, scholars have cast doubt on the merits of ‘trickle down’ economics (Lichtblau 2019; Stiglitz 2016). Moreover, Jamaican businesses may be particularly unlikely to pass on the savings from a corporate tax break due to the size and structure of the economy. To wit, Jamaica’s small productive sector is dominated by a few wealthy families who face relatively little economic competition. Indeed, in 2018, a member of one such family publicly criticized the business community for not cutting prices after a substantial appreciation in the Jamaican dollar, which had been buoyed by investor sentiment in the wake of the successful EFF. Government officials with whom I spoke a year earlier also admitted that consumers had not received the financial benefits of Jamaica’s EFF success.

Interviewee 1: And that public perception [that the EFF had not been beneficial to the economy] might have been influenced by the fact that the owners might have creamed off without passing it [cost savings] on.

Interviewee 2: Yes, they would not have passed on a lot of the benefits. Though I am sure some prices would have been reduced.

Overhauling Incentives

While the local private sector broadly supported the tax reform, there was a notable exception in relation to one aspect of the new policy: the elimination of sector-specific tax incentives. The IDB, which took the lead among multilaterals in tax matters during the EFF programme, argued that Jamaica's old tax regime was overly-complex.

Of particular concern to the IDB, the government had carved myriad sector-specific incentives in the tax system over time. By the time the fiscal crisis reached its apogee in 2012, the tax code allowed for over two dozen pieces of sector-specific incentives legislation. Sharing the IDB's assessment, a senior official admitted that the government's attempts to generate growth and employment through corporate incentives had largely been a failure:

I remember, some years ago, we did an exercise to show that there were 3.5 billion dollars of waivers that occurred in a particular year. Meanwhile, we were trying to tax the life out of Jamaica people to meet certain obligations on the budget. It just did not add up! But it was operating on the basis that—to the extent that you give people waivers and incentives—more growth would occur, more jobs would be created, and so on. But it didn't always work. And so, what we were doing was just increasing waivers, and sometimes not getting back the value we had waived. The private sector can be really smart in avoiding paying taxes. And that is why in small economies like ours, we need to have a compact which says [that] these waivers need to be performance-related if we are given waivers or lowering the tax rates for everybody. And who can operate at these tax rates, go right ahead.

To address these concerns, the IDB and the IMF required that the government bring all sectors of the economy under a single incentives regime. Thus, in place of providing benefits to select sectors, the new regime would offer the same incentives benefits to all corporations that qualify on the basis of publicized statutory rules.⁷⁴ To be sure, the multilaterals did not oppose the idea of granting incentives, per se. Rather, the IDB and IMF felt that Jamaica's labyrinthine tax system made it difficult for businesses to anticipate their tax obligations, which they viewed as a deterrent to capital investment. Moreover, they viewed the practice of offering favourable

⁷⁴ A senior Finance Ministry official explained the reasoning behind the changes to the tax incentives system: "Yes, that [limiting incentives] was a fundamental thing. Apart from the fiscal incentives is the minister's use of his discretionary powers. Because with all of this, what we are now doing is moving away from having the ministers exercise discretion to putting... you can't put discretion in law. You translate some of the incentives into law because discretion is a bad word when it comes to public policy. If things are now in law, then everybody can benefit. So, you make it wide-scale, as broad-based as is possible. So, what the reform essentially did was to curtail or minimize or significantly reduce the minister's discretionary powers and put a lot of what you would normally do into law. [...] And that is a good thing. And it is good for the minister because it removes the power to say yes or no based upon relationships. It removes that kind of uncertainty away from it, so he is now able to properly manage the economy in a more responsible way."

incentives to some industries, and not others, as a form of government-introduced market distortion. Therefore, the multilaterals opined that a rules-based incentives regime would improve market confidence by providing potential investors with greater fairness, transparency, and predictability.

Private sector elites understood that, while the IMF's charge to simplify the tax code prevented them from awarding benefits to specific sectors and companies, it did not preclude generalized benefits such as lowering corporate taxes. Thus, the IMF reform received widespread support from the business leaders I interviewed. Still, lobbyists for the tourism industry were a notable exception. Prior to the EFF reforms, no single sector had benefited more from government concessions than the tourism industry. Representing about 20 per cent of GDP and half of foreign exchange earnings (McIntosh 2019), Jamaica's powerful tourism sector has long been dominated by a few large hoteliers. Under the *Hotels Incentives Act*, the hoteliers benefitted from paying no consumption and income taxes and zero import duties for ten years or more on new properties (Ministry of Tourism 2016). Moreover, existing hotels that added an additional ten rooms or did "substantial structural alterations" were eligible to renew their ten-year tax relief. Prior to the Great Recession, the tourism industry also paid a preferential consumption tax rate of 8.25 per cent, half the rate paid by the rest of the economy. Citing a drop in visitor forward-bookings due to the Great Recession, industry leaders also requested a package of tax concessions from the government in October 2008. In fact, visits to the island increased by almost 4 per cent in 2008 and 3.6 per cent in 2009 (World Bank 2020f). In addition to providing a special loan facility at below-market interest rates, the government agreed to further lower the GCT rate to 4.125 per cent for ten months (Jamaican Government 2009; South Florida Caribbean News 2008).

The IDB's push for an overhaul of Jamaica's tax incentives regime was partly motivated by its analysis of the tax benefits received by the tourism industry. It became apparent from my interviews that the Bank formed the view that tourism players contributed significantly less than other industries to the government coffers. One official, for example, expressed shock that the industry had received substantial preferential treatment over many decades.⁷⁵

Because what happens is, if the whole regime for incentives is not systematized, you get a situation where Industry X will petition to have tax incentives and, over time, if those are not managed well... And I think of what is happening, for example, in the tourism industry in Jamaica. You can tell that because of the way those tax incentives were generated at the beginning of investments with these twenty-five-year tax holidays, the contribution of tourism to the public purse is minimal. Do you know that foreign exchange revenues from tourism are less than remittances, for example?! That is an extraordinary comparison! Remittances from Jamaicans working abroad are higher than the foreign exchange earnings from tourism! That is ridiculous!

Nor was the IDB alone in its assessment. A senior government official criticized tourism interests' attempts at tax avoidance, claiming that "[t]he local tourism industry has their racket here! They keep most of their income overseas." Describing the sector's major players as "making money like peas," yet another official complained that "[a] lot of them, for years, have never paid a cent of tax. And the state provides security and garbage collection and all of those things. They have to [start to] make a contribution to that!"

Unsurprisingly, tourism interests initially mounted strong resistance to the multilaterals' demands to do away with sectoral incentives. After all, the move towards

⁷⁵ For example, an IDB country representative complained that the industry had managed to avoid paying its fair share of taxes by appealing to the idea that it was a source of significant capital investment and employment. *"It is great to announce that some resort is to be building a 1200-room new hotel on the North Coast and they'll be hiring however-many people. Those are great announcements. But long-term, unless the tax regime can figure out a way to generate some resources from those investments that accrue to the public purse... I mean, it is one thing to tax the businesses when they come in and when they leave -- the departure tax and so on -- that is one small, minor piece of the equation. But that just pays for the infrastructure. So, to not be receiving anything on the income end of those properties is not such a great thing."*

a common tax incentives regime meant eliminating hotel-specific tax holidays and raising their consumption tax level to the standard rate. In opposing the changes, tourism lobbyists involved in reform discussions argued that the generous incentives were needed if Jamaica was to properly compete with other tropical destinations in the Caribbean basin. For instance, one lobbyist rejected the IDB's "false analysis," claiming instead that the incentives had an overall net benefit for the public purse. According to the lobbyist, "if the people would not have come and would not have invested in your country [in the first place], then the argument that it is tax revenues that you have forgone is actually complete rubbish."⁷⁶ In protest of the proposed changes, the tourism sector broke away from the general lobbying efforts of the private sector. This led to the Jamaica Hotel and Tourist Association refusing to endorse a PSWG parliamentary submission calling for lower corporate taxes and, instead, opting to submit their own set of recommendations, which would have kept the industry at a

⁷⁶ In the full quote, the lobbyist argues that sector-specific incentives would hamstring the government's ability to strategically incubate industries and would be tantamount to 'kicking away the developmental ladder'. *"But the basic thing is that the initial impetus was because it was a commitment to the IMF and, particularly, to the IDB as part of a multilateral programme to basically get rid of incentives, because incentives are bad. [...] So, that was kind of driven by the multilaterals. And the question is whether you are really kicking -- to use the phrase of a Cambridge economist whose name I have just forgotten -- you are kicking away the developmental ladder by saying that the specific incentives are not good. I would argue that to just assume, in any case, that all tax expenditures on money that you are foregoing is a false analysis. And, in fact, the tax expenditure reports don't really say that either. What they say is you have to be extremely careful in making this assumption. My views are that if the people would not have come and would not have invested in your country, then the argument that it is tax revenues that you have forgone is actually complete rubbish. That argument only applies if you are saying that they would have come. Now, this actually a quote not from myself but from an economist in Ireland. They had the same issue. When we met with them, he's was basically very strong. He said we would not have all of these 100 billion dollars of investment if we had taken the view that incentives are bad. So, that has informed my view since then... since before because it just seemed basic common sense to me."*

10 per cent consumption tax rate.⁷⁷ Policy elites in government⁷⁸ and the private sector viewed the tourism sector's response as stemming from the industry having become accustomed to getting what it sought from the government. According to one IWG member:

I don't want my own biases to be introduced into the conversation, but they are a very powerful lobby group. And they are used to getting their own way. And in the process of this reform taking place, their programme was really to maximize whatever benefits they could get out of it. And that kind of led to an attitude of resistance all along the way. And, in fact, I remember being told by [a prominent hotelier] that I was fucking the tourism industry and that I must watch and see how "we'll never build another hotel in this country!" All kinds of drama.

Fear of Capital Flight Redux: The Tourism Industry

While the powerful hoteliers enjoyed considerable influence in government circles, they did not hold the same sway over the multilaterals. Given the government's need to meet IMF conditionalities, the industry had little prospect of preventing the end to preferential incentives. Still, IWG representatives described making strenuous efforts to ensure that the sector would not be negatively impacted by the change. Indeed, policy elites were not indifferent to potential for the imposition of a new tax

⁷⁷ A tourism industry representative expanded on the motivation for pursuing their own lobbying efforts: "The Private Sector Working Group came up with a number of recommendations, some of which we felt would not be in our interest. So, we decided to go to Parliament and make a presentation to the committee that was dealing with it at the time and explain the basis of our disagreement with the recommendations of the Working Group. And then, we produced our own recommendations to the government. In the end, of course, the government came up with their regime which was presumably based on the Private Sector Working Group but with a number of inputs from other sources. And so, in terms of the current regime, the Omnibus regime, it is a mixture of what is required by the IMF, what the Private Sector Working Group recommended, what we recommended and so forth. As it is right now, it seems to be working. But we could not go lock, stock and barrel with what the PSWG was recommending. [...] And, in the final analysis, basically, we came to an understanding with the government. The government was going to do it anyway because, under the IMF agreement, it was obligated to do it. But we tried to get the best deal that we could."

⁷⁸ A government official described the change as a "culture shock" for the influential industry: "And even with the best of intentions, the middle ground on even the fiscal incentives, the private sector, some aspects of the private sector, wanted more because they were coming from a position of where they were enjoying tax holidays for prolonged periods, all kinds of sector-based incentives. And when you move towards a rules-based incentive where they would have to be tax-compliant in order to access certain kinds of incentives, it would have been very difficult for them to change their thinking [...]. Because if you are coming from a place where you are not paying income tax to a place where you are now paying income tax at a lower rate or any rate at all, that is kind of a cultural shock for them, certainly on their balance sheets. And, therefore, it took time."

code to encourage capital flight and dissuade prospective investors. These outcomes could have a disruptive effect on an industry which employs thousands of low-skilled workers and is a primary source of foreign exchange earnings. Elites saw capital flight as being a distinct possibility in the case of the country's new Spanish investors. Just before the 2008 economic crisis, the industry witnessed an influx of new investment from the Mediterranean coastline. The Spanish poured five hundred million USD into the construction of 3,000 new hotel rooms on the island, the largest single investment project in the sector's history. The Spaniards had not only been enticed by Jamaica's stretch of private beaches, but also the government's promise of a decade-long tax holiday and special tax exemptions on construction and refurbishing material.

Unsurprisingly, the Spanish hoteliers also met the IMF-mandated reforms—which would see them to pay considerably higher taxes—with hostility. In an effort to smooth over the fallout, a delegation of high-level government officials and influential businesspersons travelled to Spain to, as one official characterized it, “face the music.”⁷⁹ Specifically, the delegation tried to sell the new investors on the idea that, despite needing to pay more taxes in the short-run, the reduction in corporate taxes and other tax concessions would lead to longer-term net benefits.⁸⁰ In the end, policy

⁷⁹ The delegation also tried to sell the Spanish investors on the merits of being under a tax regime that did not rely on ministerial discretion. “*Because it was only when it got to the stage when they had to go to their bosses in Spain that hataclaps. We had to go to Madrid. [...] We had to go there to face the music! And, I think, they expected that we would have folded. And we had to tell them very nicely, Joe [Matalon] in particular, said very nicely that, “Look, overall, this thing is better for you! You would not have to come knocking for another concession period. No hassle. You register.” Because, before then, people from the industry would have to come and the Minister of Tourism and literally beg. And literally would beg and say, ‘Oh, this thing is going to be so much! Grant us another period.’ We did away with that! And we said, ‘You’re going to get this. You’re not subject to a minister’s mood or whim and fancy. It is the law! Come show your documents and that is it. What used to happen at the Ministry of Tourism was a whole bureaucracy. Just processing concessionary waivers. Forget that! Just register your thing. Done!’*”

⁸⁰ A private sector representative involved in the tax reform outlined the details of the tense discussions with the Spanish investors: “*And we did a study which KPMG did for us which demonstrated that new-build hotel with an investment horizon of twenty years would be no worse off on a present-value basis than they were under the old regime, save and except that they would start paying tax earlier in the investment horizon than they did under the old regime. [...] And, essentially, what is Spanish wanted -- even after you demonstrated on a net present-value basis [that] they were no worse off -- they wanted*

elites and the various tourism interests would reach a compromise: the government and multilaterals accepted the new incentives regime. But not before the government carved out an exception to the EFF agreement that kept the tourism sector's consumption tax rate at 10 per cent instead of standard 16.5. The sector also managed to expand the list of materials, furniture and equipment that could be considered productive inputs and, thereby, not attract customs duties.

I have argued that the EFF reforms were guided by policy elites' desire to regain market confidence, and that they resolved to do this by protecting capitalist interests in the context of the government's fiscal crisis. How, then, might we understand the decision to eliminate sectoral incentives for one of the country's most powerful industries? Here again, Block's (2010b) analysis proves useful. Block argues that state managers who wish to preserve market confidence must periodically act against the interests of particular capitalists. This is because policies that offer benefits to individual businesspersons may undermine the wider capitalist economy. In Jamaica's case, the multilaterals, in particular, felt that the generous benefits offered to the tourism sector had proved costly to the public finances and shifted the tax burden to other corporations. Additionally, these incentives translated into the government having the discretion to 'pick winners' in the economy, which markets were likely to view as a kind of distortionary state intervention. Thus, policy elites saw their decision

the government to put them in a cash-flow neutral position, that they wouldn't pay any more tax during the balance of their incentive under the new regime as they would have paid under the old regime. But what we had to say to them is: Yes, you're going to pay more. But on a net present-value basis, you are not going to pay any more. And, in fact, over the period of time, your tax rate has come down from 33 ⅓ per cent to twenty-five per cent; with ECTs [Employment Tax Credits], to 17 ½ per cent; with your capital allowances, probably closer to fifteen. And, under the old system, post the expiry of your incentive order, you'd have gone back to the old regime of 33 ⅓ per cent. And now you're going in perpetuity into a sort of generally competitive tax regime. And they continued to fight that right down to the end until they realized that the government was not going to resile from the position. So that was basically it!"

to eliminate sectoral incentives as fully consistent with promoting market confidence and preserving a capital-friendly political economy.

Marginalizing unions

The IMF prescribed that the government reduce the public sector wage bill as a condition of the EFF reforms. Originally, the Fund had required that the Jamaican authorities lower the wage-to-GDP ratio from 11 per cent in 2009 to 9 per cent in 2015. However, after Jamaica achieved its stringent primary surplus target, Fund officials relaxed this target, only requiring that the government cap wages increases.⁸¹ As one government official noted, the IMF also understood that the elimination of thousands of public sector jobs would be politically-challenging and potentially undermine the programme's success, "even if they didn't say so from a loudspeaker."⁸² While arguing that Jamaica still needed to do more to downsize the public sector, a World Bank representative similarly acknowledged the potential social fallout from job cuts:

Public sector transformation—you are in Sociology, so you know—that is one of the most difficult things in every single country to do: making the public sector slimmer, thinner, less costly and more effective. This is really one of the most difficult things to

⁸¹ A senior Finance Ministry official explained that the IMF had been keen on public sector job cuts as a means to achieve a lower public sector wage-to-GDP ratio. They explain that the IMF eventually deferred the target when the difficulty of doing a major public sector overhaul in the context of myriad other reforms became apparent. "*The government was fighting a major fire with the IMF programme. The easy way out, as they say, was the wage freeze. To reduce the size of the government service [immediately], I personally did not think it was the right solution. I think we needed to focus on improving efficiency and effectiveness, and then reduce the size of the service. I think, as well, that that conversation in 2009 started off incorrectly. The view was that the public sector was too big and therefore we needed to reduce the size. [inaudible] and people were going to lose their jobs. [...] But the IMF programme, I think, taxed the Ministry of Finance a little bit [too much] to take on all of these things. And, I think, after about two years of the programme, the Ministry was suffering from reform fatigue, the public sector was suffering from reform fatigue. And so, to take on major things such as the reduction in the size of the public sector, it just could not happen. Because we were also negotiating pension reform, wages, new compensation arrangements, new compensation policy. We're doing the 240 benchmark conditions under the IMF programme. It was just too much to take on a massive jobs adjustment in the public sector.*"

⁸² I had asked the official whether the IMF had specifically suggested job cuts or made a more general requirement to reduce wage costs (leaving the possibility open for the government to achieve its targets through wage freezes). To which one official replied: "*Even if some members of the IMF staff had the view, in an economic situation like Jamaica where you have that level of unemployment, for you to throw out 10 000 workers...*". The other official completed the thought: "*It was not as clear-cut as that. They understood even if they didn't say so from a loudspeaker.*"

do because it has to do with people's lives, people's employment. It is even more difficult to do it in a context where you don't have a booming private sector that could absorb some of the redundancies of the public sector. But they [the government] could do more still [to transform the public sector]. And this is something that we are trying to push them for.

Successive Wage Freezes

As part of prior actions required to get the IMF to sign a new agreement, the government pushed public sector unions to agree to a two-year wage freeze in 2012. In fact, by the advent of the 2008 Great Recession, the government had become accustomed to relying on public sector wage freezes to address fiscal shortfalls. In 2004, the unions and the state agreed to the first of several two-year wage freezes. This brought a halt to an existing agreement that aimed to bring public sector wages to within 80 per cent of the private sector.⁸³ In 2006, public officials and unions further agreed to cap cumulative wage increases to 20 per cent over two years. The parties then reached an agreement in 2008 for 15 and 7 per cent increases respectively over two years. However, faced with the onset of the Great Recession, the government unilaterally reneged on the commitment to a 7 per cent increase. Despite the government's breach of the wage agreement, union leaders accepted an IMF-imposed wage freeze in the leadup to the 2010 SBA.

Thus, by the time the government sought to negotiate yet another two-year wage freeze in 2012, the public sector had not received wage increases for four years.

⁸³ A union representative recalled the breaching its 2004 agreement to align public and private sector salaries as indicative of the unions' reasonable negotiating approach with the government. "*In fact, for those persons who claim that unions are unreasonable, when we signed [a wage agreement] in 2004/2006, what we had actually agreed on was to put in abeyance, so to speak... an agreement to put the public sector to within 80 per cent of the private sector. And we had an agreement then that started to implement it in tranches. And I think it was supposed to be five tranches and we had reached three. And we agreed to put it in abeyance for us to be able to take us out of the bind that we found ourselves in. So, at the end of the day, I think that from the point of view of the trade union movement, we have tried to do the best for our workers within the context of the constraints that exist at any point in time. And I don't think that there is any worker that we represent that feels that they have been able to get to what they truly deserve.*"

Importantly, these four years of wage stagnation (2009-2012) represented a significant erosion in workers' real purchasing power when one considers that Jamaica's inflation rate averaged 9 per cent over the period (World Bank 2020d). When union negotiators initially rejected calls for yet another wage freeze, a government minister accused the unions of "sticking up a broke government." This implicit comparison to robbers is instructive because it stands in contrast to the government's deference to market forces, particularly its efforts to cushion the impact of EFF reforms on the bottom-line of bondholders and Spanish investors. It, therefore, highlights the unequal weight given to the interests of capitalists compared with workers in policy elites' calculus about who should shoulder the burden of austerity.

Much like bondholders who agreed to debt restructuring, the union leaders I interviewed worried about the negative implications of a government debt default. Their decision to eventually accept a third successive wage freeze agreement in 2012 was motivated by the realization that a bankrupt government would, in the long run, prove more costly than stagnant wages. They also feared the prospect that the government would cut thousands of jobs to meet the IMF wage-to-GDP target if unions demanded better pay.⁸⁴ Indeed, as part of what they euphemistically termed "public sector transformation," the multilaterals advocated for significant cuts to public sector

⁸⁴ A union representative confirmed that the workers' concerns that demanding wage increases in bargaining with the government might lead to job cuts: "*Generally speaking, we were in a period where, in terms of inflation, the price of goods and services... everything seemed to be going in the wrong direction at the time. So, this is one of the reasons why, certainly from our end as labour unions, negotiating a collective labour agreement at the time, we had to take all of that into account. So, when we sat around a table and we sought to verify the data that was coming to us, it was evident that Jamaica was, in fact, in very perilous times. And that is one of the reasons why we had to have these discussions with our membership in terms of whether or not we wanted to go down the road of insisting on a wage increase that maybe could never be fully implemented or that at the end of the day could result in job losses. [...] So, the avenues that were open to the government at a time when we did our analysis were not many. Jamaicans could not endure much more in terms of taxation. And there was not any willingness on the part of the international community to lend any money to Jamaica. And, in fact, when we looked at the debt-to-GPD ratio, what we were realizing is that if we continued to borrow, we were going further and further into the hole. And we felt that it was the opportune time to stop and take stock and decide whether we should continue on the same path that we were going for the last several years.*"

jobs, which they viewed as a superior, if politically-costly, cost-saving measure to wage freezes. A senior official involved in the negotiations explained how the government laid out the stark post-recession economic realities in a bid to convince unions to accept the wage freeze agreement:

Interestingly, when we met with the unions, the unions were upset because civil servants had been going through maybe about five years of depressed wage increases by then... very low wage increases. However, though they were upset, I think they recognized the circumstances: the high debt-to-GDP, the current account balance, the NIR [net international reserves] falling, the exchange rate depreciating. They knew we were in a problem. [...] And I am sure we scared the bejesus out of some of them when we opened the coming budget to them to show them what the three- to five-year forecast for the budget looked like [and] what sorts of adjustments would be required, such as: wage freeze, reduction in the size of the civil service in terms of positions, a debt exchange was required, and some revenue increases would also be required.

The union representatives whom I interviewed recalled to the government's appeal to their sense of civic responsibility as an important factor in their decision to accept the wage freeze. The government, for example, expressed to the unions that bondholders had been willing to forgo billions in interest payment in the national interest. As outlined earlier, they also invited representatives to sit on EPOC and the IWG as a gesture of social partnership and inclusiveness. However, the sense of collective sacrifice belied the political-economic reality within which the social sectors operated. As I demonstrated earlier, the committees were dominated by private sector interests in both their origin and operation. I found no evidence in my research that union representatives suggested recommendations or materially influenced policymaking and oversight. This conclusion is corroborated by the following exchange I had with a union leader who admitted that the workers had not being as organized as the private sector in their lobbying efforts:⁸⁵

⁸⁵ In another part of the interview, the leader continued: "*We really didn't have any direct participation in the development of the new tax regime. But it was made known to us that the government would be seeking to implement various elements of some report that had come from a group that had been established to look at taxes. And, in fact, the unions had made representation in Parliament when the*

Researcher: Do you think there was sufficient account given to labour's position in developing the [tax reform] policy?

Interviewee: Personally speaking, I don't believe so. [...] I don't think that the trade unions organised themselves in a similar fashion [to the private sector]. So, I think the private sector was more influential in those changes and recommendations that were being considered at a time, rather than what a trade union movement was actually putting on the table.

In fact, despite the rhetoric of social partnership, union leaders also initially found themselves excluded from the Economic Growth Council, a public-private scheme created at the end of the EFF to oversee the government's growth agenda.⁸⁶

No Worker Benefits

Furthermore, while corporations had received tax cuts and exemptions in exchange for forgoing sector-specific incentives, workers did not obtain any specific benefits. Instead, the government offered them vague assurance that the improvement in the fiscal accounts would eventually 'trickle down' to their salaries.⁸⁷ According to this logic, the increased market confidence arising from a successful EFF programme would spur business activity. This private sector growth would then result in higher tax revenues, providing the government with the resources to offer higher wages to civil servants. As a union representative explained it:⁸⁸

whole tax reform initiative was being dealt with. So, we made representation -- I think it would have been in 2011-2012 at the time -- as to what we felt should be the approach to taxation."

⁸⁶ A union leader I spoke to took umbrage to this exclusion: "*Certainly, in the initial stages, the Economic Growth Council did not have members of the unions as part of the Council. And it seems to me that when I look at the persons on the Growth Council, I cannot tell you why they are there necessarily. And when they started their consultations, we in the union movement were number 20-something in terms of who they were consulting. So clearly, we weren't that important. But coming out of that first meeting, we were able to convince them that the union movement needed to be part of the Council. And so, we now have a representative on the Council.*"

⁸⁷ According to a union representative, "*The government begged the trade union people to sacrifice again so that we can re-engage. And that took place, the trade unions agreed. [...] And the workers signed on to the assumption that growth and an improvement in the quality of their lives would have been an important payoff for the sacrifices that their members were once again required to make.*"

⁸⁸ This understanding was also confirmed on the government's end by a Finance Ministry official: "*The government begged the trade union people to sacrifice again so that we can re-engage. And that took place... the trade unions agreed. And they moved on from that new relationship. A four-year Extended Fund Facility was signed. And the workers [supported the EFF] on the assumption that growth and an*

Interviewee: What the trade union wanted to see was the economy back on track and that, eventually, there would be no more wage freeze. And that the workers would be rewarded from the fruits of growth. The private sector wanted to see the country back in the international capital markets, investor confidence restored, interest rates lowered and leading to an expansion of economic activity and profitability, naturally.

Researcher: So, the idea from the trade unions was that right now things are tight fiscally. It is more important to get us back on track with the capital markets and then we can talk about wage increases...

Interviewee: Precisely. We want that payoff down the road in terms of dispensing [sic] with the wage freeze and getting our members to benefit from a better quality of life and economic growth.

However, there are, at least, two reasons to question whether workers will realise these anticipated benefits. First, the IMF had stipulated that any savings from the targeted 2 per cent wage-to-GDP ratio reduction should be reallocated to the capital budget. For the Fund, reallocating monies from the public sector to the capital budget—which accounts for government spending on infrastructure and other capital projects—represents a useful way to stimulate economic activity through fiscal policy. This meant that, in the absence of a measurable increase in GDP growth, improvements in government revenues by themselves would not translate into more resources for wages and salaries. Second—assuming that the EFF did spur private sector growth (which it did not⁸⁹)—the decision to cut corporate taxes placed downward pressure on government revenues.⁹⁰ Nor could the government necessarily be relied upon to keep its commitment to workers, having reneged on past agreements to improve the wages of the public sector who, for many years, received below-inflation

improvement in the quality of their lives would have been an important payoff for the sacrifices that their members were once again required to make.”

⁸⁹ Jamaica's GDP grew by an average of one per cent between 2014 and 2019.

⁹⁰ Using the popular Laffer Curve theory, some members of the private sector argued that the corporate tax cut would raise revenues. According to the theory, the relationship between the tax rate and tax revenues is distributed as a bell curve. In other words, after a certain point, higher tax rates result in less revenue intake as the tax level begins to discourage business activity.

increases.⁹¹ As I have mentioned, during the 2004-2006 negotiation period, the government abandoned its commitment to unions to bring public sector salaries to within 80 per cent of the private sector. Again, in the 2010-11 period, it failed to pay wages increases to which it had committed, sparking days of protest action by some civil servants (Radio Jamaica New 2010).

The wage negotiations in the immediate aftermath of the EFF's successful conclusion bear out the conclusion that workers are unlikely to realize meaningful benefits from its wage sacrifice. In the context of the new 2016 Precautionary Stand-By Arrangement, the unions signed a four-year wage agreement offering an average 4 per cent yearly increase, a far cry from the 30 per cent improvement the workers sought at the start of negotiations. Despite achieving its primary surplus and debt consolidation targets, the government's offer only covered the inflation rate, meaning workers' wages had not increased in real terms. Nor are workers exempt from job losses going forward. The Precautionary Stand-By Arrangement commits the government to continue to "merge, close, divest, and outsource government functions" as well as "ensure that a plan is in place for transitioning employment from the public sector to the private sector" (International Monetary Fund 2016). Given that the IMF had only deferred and not done away with the expectation that Jamaica would lower its public sector wage-to-GDP, I asked a pair of senior government officials if workers would not face more challenging times going forward. They agreed that IMF's prescriptions were likely to produce job losses and lower pensions for civil servants:

⁹¹ An official noted that the government confronted a difficult situation in seeking a subsequent wage freeze agreement with unions in the lead up to the 2013 EFF given that it already owed workers back-pay and had not held to its end of previous bargains. *"They were already in a wage freeze at the time. So now we had to say, "hold on a little longer. We will return to the bargaining situation and we will clear up the backlog." Because another feature of that period coming up to 2010/2011 was that wage agreements arrived-at and settled to pay certain percentages at certain points in time were not being kept."*

Researcher. With the public sector, it seems like something at some point will have to give. They are going to say that we have been making the sacrifices. And the IMF is now saying that you need to cut the public sector as part of the Precautionary [Stand-By Arrangement].

Interviewee 1: Yes, to 9 per cent of GDP. Public Sector workers are going to get squeezed because some of them are going to lose their jobs. If they are going to have the Early Retirement Scheme, the pension is not as robust as it used to be.

Interviewee 2: And it is contributory now!

Interviewee 1: ...And it is contributory. So, the take-home pay is going to be less.

Ironically, whereas the government faced negative repercussions from the global financial community for abandoning 2010 SBA, it faced few consequences for ignoring its agreements with the public sector (save for when the courts ruled that the government needed to settle its arrears with workers). Policy elites' willingness to defer and ignore the interests of public sector should also be contrasted with their recognition that the government ought to fulfil its commitments to investors; or, at least, indemnify them where it fails to do so. Indeed, my discussions with policy elites made it apparent that they viewed capital-friendly policies as an imperative in regaining market confidence. Thus, offering fiscal incentives to corporations was viewed as part of the solution to Jamaica's economic challenges, whereas the public sector spending was viewed as part of the problem.

Weak unionism

Even as they supported the government's efforts to regain the confidence of the international capital market, union leaders were not unmindful of the primacy given to capitalist interests throughout the EFF implementation. One representative described the process as "a game of power" where "globally, governments think that they need the support of businesses more than they need the support of workers":

Researcher: Why wasn't there a similar logic [applied to businesses] that if workers have to wait until things get better fiscally to start seeing reductions in taxation, that businesses should have to wait also?

Interviewee: Well, it comes back to the game of power. Traditionally, globally, governments think that they need the support of businesses more than they need the support of workers. Remember the economic mantra: the demand for labour is a derived demand. In other words, we don't need you unless people need the things that you are producing. Governments are saying that we need business for investment. So, the businesspeople tend to normally have a greater sway with governments globally than the workers.

Researcher: So, they had more influence?

Interviewee: Globally, the business community has more influence! [...] If the minister has only 10 minutes in his life to spare and the president of the Private Sector Organization wants to see him and the president of the Jamaica Confederation of Trade Unions wants to see him, who do you think he's going to see, if he has a choice? He's going to see the president of the Private Sector Organization because he believes they can help him more! They are investors.

Likewise, scholars have observed the decline in union power in capitalist societies (Western and Rosenfeld 2012). Indeed, some have pointed to the dominance of capital markets in the context of globalized financial markets as a major contributor to this decline (Peters 2011; Young and Tackett 2018).

Still, the prominence given to capitalist interests was likely reinforced by the fact that union leaders weakened their bargaining position in two ways during wages negotiations with the government. First, they embraced the view that corporate tax cuts would eventually trickle down to workers while direct wage increases would further worsen the government's fiscal crisis.⁹² Secondly, the representatives I interviewed appeared divided on their own bargaining position. In an interview conducted before the 2017 wage negotiations were settled, one representative

⁹² A union leader demonstrated this attitude when asked about the union's lack of opposition to the corporate tax cut. The leader explained, "*We don't have a philosophical problem about businesses making profit. Because, at the end of the day, if we have workers employed in this [public] sector, it is those very profits that we seek to be paid or to get increases from. So we don't have a philosophical opposition to making the playing field such that you can get more investments in.*"

characterized the union's push for a 30 per cent annual salary increase to redress wage freezes as "unadulterated madness".⁹³

No, it is totally unrealistic! it is unadulterated madness! So, when you talk to [other union representatives], you can ask them how is it that they arrived at those conclusions; how is it that they expect the negotiations to proceed; how do they expect that will affect economy; how do they expect that will affect the IMF agreement! [...] What workers are asking for would be completely out of line with the targets established by the IMF to bring the wage-to-GDP ratio down to 9 per cent. So, the government cannot even look at that! [...] Now, practically speaking, 30 per cent and 30 per cent means that the wage bill would go up by almost 120 billion dollars over two years. That is completely, completely out of sync! The only way you could do that is to have what you would call a series of doomsday tax packages that would crash the economy. Or a mass-firing of public-sector workers; which the IMF and the private sector is always advocating by saying, "Why don't you just get rid of them?!" So, that is where we are now.

IMF Rationale for Job Cuts

Notwithstanding its marginal role in influencing the direction of policy reforms, union leaders did not always accord with other policy elites on how best to address Jamaica's economic challenges. In particular, they voiced strong opposition to the IMF's claim that the public sector had become too bloated. Fund staff argued that the government's wage costs represented the most significant charge on the budget after debt servicing. They also contended that the 11 per cent wage-to-GDP ratio was above the international norm for economies of Jamaica's size. Indeed, an IMF official bemoaned the Jamaican authorities' failure to act decisively on IMF recommendations

⁹³ Later in the interview, the representative advances the claim that the corporate tax cut was beneficial for the economy. While the leader qualified this statement by calling for balance, they felt that a 30 per cent increase would undermine the government's attempts to achieve fiscal discipline: In response to my question about whether lowering the corporate income tax was good for investor confidence, they replied, "Yes. *But balance is always important because you don't want to give the workers the impression that they are less favoured than members of the business community. And that is how the workers of Jamaica feel right now. And that is why they are off on this unadulterated madness about 30 per cent because they feel that they have been done in and they hear businesses saying that they've made all of these super profits, particularly banks. So those things are leading to a certain level of irrationality in terms of trade union leaders because their members are pressuring them and are saying, 'How are these people making so much money and all we are getting are taxes and taxes?'*"

to cut public sector jobs, instead preferring to apply wage freeze “bandages” to the problem:

Researcher: Speaking of those tough actions, the last thing I wanted to ask you about was the public sector transformation and where that is at now. I know that that has been something going on in Jamaica for a long time.

Interviewee [in an exasperated tone]: Long, long, long, long time.

Researcher: But I don't think any government has been brave enough to cut the public sector. They freeze wages...

Interviewee: ...Bandages! They use bandages. You can pull IMF reports from ten years ago. It is front and centre [in these reports]. The policy message is very consistent: the public sector wage bill has to go down! Because, today, about a half of government spending goes to wages [...] which, by any international standard, is very high.

The representative went on to argue that the inefficient public sector would be made more “nimble” and “agile” by cutting workers. According to this perspective, the overall economy is best served when the public sector focuses on its role as the facilitator of the private sector-led growth instead of itself providing employment.⁹⁴

However, union leaders retorted that the public sector was not overstaffed relative to other countries. They pointed to research demonstrating that—despite having one of the highest wage-to-GDP ratios globally—Jamaica also had one of the smallest public sectors relative to the size of its labour force (Wint 2015). Thus, Jamaica’s apparently oversized public sector was principally an artifact of the persistent lack of GDP growth over three decades, and not the result of excessive hiring. Union representatives also suggested that the lack of competitive pay

⁹⁴ The representative outlines this view in the following interview excerpt: “So, I think it is clear that it has to go down. And, as you mentioned, how do you make this happen, right? You start with the principle that you want a public sector that works for the private sector. I mean, the public sector is not there to grow the economy. The public sector is the facilitator, the enabler. So, you start with that principle. Which means what? Which means you sit down, list the functions, and draw a line, “this is where I stop as a public sector, this is what I think are key functions to facilitate.” The private sector is a job creator. I mean, the government can use short-term stimulus to jumpstart the economy. But, structurally, the government is not the growth-maker. So, you list the functions, draw a line to say “this is where I stop” and privatize, merge, share services, whatever you want, to have a public sector that is agile, that is nimble.”

compared to the private sector—which made it difficult to attract and retain talent⁹⁵—was partly to blame for inefficiencies in the public sector. It was also unclear to the union representatives I interviewed which areas of the public sector could be considered bloated. One such person noted that about 70 per cent of government jobs were in education, health and national security, critical sectors for providing the social environment needed to support business activities. As I discuss in Chapter Seven, my interviews with non-elites also suggest the ordinary Jamaicans are particularly likely to support taxes going toward these sectors because they view them as essential government services.⁹⁶

⁹⁵ Decrying the tendency among elites to point the finger at public sector wages when discussing Jamaica's economic challenges, a union leader highlighted the relationship between the sector's low wages and worker performance. *"I remember there was a time when... I think it was Mr. Golding who was prime minister and he was speaking about the same issue of the cost of public sector workers and what it is costing the government and [saying that] he cannot afford it. And I remember a member of my family basically attacking me to say that we are being unreasonable. And when I actually pointed her to the data in terms of what persons in the public sector actually earn... because when you take a large figure and divide it out, it may sound like a lot. But when you look at an entry-level manager in the public sector who earns somewhere in the region of 150 000 JMD before tax... And they have to be properly qualified to get that. When you give people those kinds of information, they realize that the wages in the public sector are actually way below what is paid in the private sector. And when you look at the labour market generally, it is one in which the public sector has actually lost a lot of its best minds simply because people may just come into the public sector to gain experience and they move on. So we're saying that you really need to, rather than point blame at members of the public sector, one has to really look at the data [...] that shows that that claim is not necessarily based in any fact."*

⁹⁶ One union leader argued that the IMF's claim of a bloated public sector was not borne out by data. *"In terms of whether the public sector is bloated or not, we do not accept that. That is something that has always been said but has never been backed by any real data that establishes that that is so. [...] There are three major areas [in the public sector] -- the Ministry of Education, the Ministry of National Security and the Ministry of Health -- that take up close to 70 per cent of the entire employment of the public sector. Those are all service-related areas where you need bodies to provide the service. Yes, we agree that if you have improvements in technology and that can be implemented, we have absolutely no problem if that is an approach that is taken. But we do have a problem with an approach that says that you have a particular number that you should be aiming at in terms of the size of your public sector. We believe that the size of the public sector has to be relative to what is the state of the technology and how government itself is organised. [...] You cannot have a government which says that it wants free healthcare and free education and that should be provided by the government and then you expect that you won't need staff to be able to do all of that."*

Summary

In summary, I have shown that the EFF reforms were dominated by business interests. By leveraging the government's need to regain market confidence, private sector elites successfully pushed for the establishment and perennialization of extra-state mechanisms through which they could give direction to economic policy. While these mechanisms gave the appearance of social partnership and domestic ownership, they, in reality, advanced the interests of the local private sector and foreign investors. This orientation becomes apparent upon examining the content of the EFF reforms that lowered corporate taxes at a time when the government was imposing unprecedented austerity measures on the poor. The primacy of capitalist interests is also evinced by public sector unions' inability to prevent the erosion of workers' wages during the EFF programme, or to achieve above-inflation increases once the agreement ended. Thus, the EFF programme produced important shifts in Jamaica's post-recession political economy. The private sector found itself with sufficient leverage to insist that the government invest it with new policymaking and oversight powers. It also parlayed this leverage into a more favourable tax regime for itself while shifting the burden of austerity onto public sector workers. Of note, this leverage only arose within the wider context of IMF-mandated debt restructuring and tax reforms that promoted domestic ownership without due regard for the weakness of the government *vis-à-vis* market actors. In the next chapter, I argue that behind the apparent success of Jamaica's own reform efforts lies a different story, one in which the interests and welfare of poor and working class are marginalized in economic governance.

CHAPTER FIVE: MARGINALIZING THE POOR

*New elections change nothing about the agreements
that the Greek government has entered into.*

- German Finance Minister Wolfgang Schaeuble

As I discussed in Chapter 2, policy elites' push to improve the public accounts and inspire market confidence through spending cuts, additional consumption taxes and capital-friendly reforms proved successful. The government achieved a 7.5 per cent primary surplus in 2014, up from a 3.2 per cent in 2012 (International Monetary Fund 2013b:30). By 2018, Jamaica's public debt was less than its total GDP for the first time in many decades (Jamaica Gleaner 2019c; Radio Jamaica New 2019). In response to the more positive outlook, foreign direct investment improved substantially. The uptick in overseas investment also appeared to pay dividends as employment fell gradually after 2013 (World Bank 2020l). However, this story is only partial. The authorities' considerable reforms efforts produced political-economic outcomes that are not readily captured in the numbers. In this chapter, I examine some of those outcomes, arguing that they result from a mode of economic governance that marginalizes and even sacrifices the interests of the poor in favour of capital.

Success Revisited

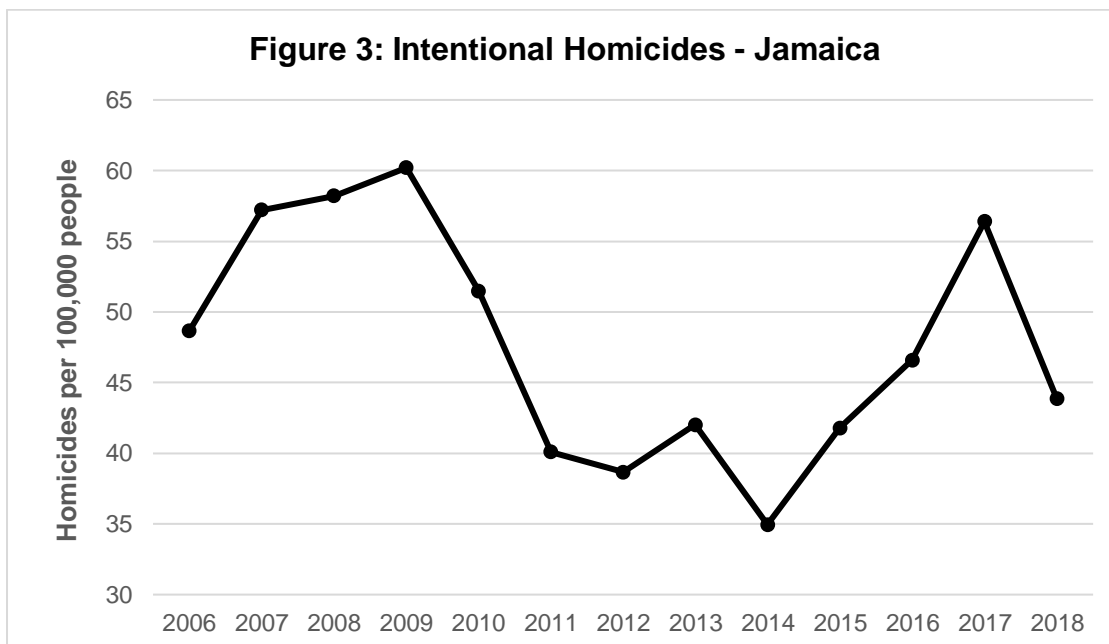
The policy elites I interviewed understood the success of EFF in terms of the improvement in Jamaica's public finances. However, observers who wish take a more comprehensive understanding of the reforms' effects on socio-economic conditions should problematize reformers' claims. This is because the severity of the austerity measures required in the context of structural adjustment appeared to further

compound the country's development challenges. One of the curious outcomes for policy elites was that the economy did not record the upsurge in growth that they had anticipated given the levels of investment that were being recorded. One IDB representative speculated that this was attributable to the size of the informal economy. However, the claim appears doubtful given the close correspondence in growth performance in the formal and informal sector (after all, the distinction between the informal and formal sectors is actuarial, not real). Instead, it is more plausible that any business activity generated by the injection of new capital was offset by the severity of the austerity measures taken in the context of the EFF.

Achieving the IMF programme's objectives required, for example, that the government cut public spending by 2.7 per cent of GDP in 2013, roughly the size of the U.S. Department of Defense's annual budget (Johnston 2015:13). Moreover, capital spending—which averaged 4 per cent of GDP in the five years preceding the EFF—fell to 1.6 per cent in 2014, below what the IMF itself had projected (p. 8). These savings came about primarily from significant cuts to spending on the country's already-dilapidated public infrastructure, particularly road maintenance. The EFF programme also required that the government divert resources earmarked for public bodies to a centralized fund that could be used to pay down the debt (International Monetary Fund 2013b:8–11). If investments by public bodies represented 4.2 per cent of GDP in 2009, the figure fell to 2.7 per cent in 2014 (Johnston 2015:6). In its effort to realize the primary surplus target, the government also withdrew 45.6 billion JMD from the National Housing Trust (NHT) over the life of the EFF programme (Jamaica Observer 2013a). The NHT is a contributory scheme designed to finance housing for mostly low-income workers. This unusual move was challenged in court as a violation of the statutory purpose of the NHT (Jamaica Gleaner 2019a). Although the courts

ultimately dismissed the suit, the diversion of funds is likely to worsen the longstanding problem of inadequate housing solutions for Jamaica’s poor (Klak 1992).

Furthermore, austerity measures may well have worsened Jamaica’s crime problem. Already one of the most violent societies globally, the island earned the distinction in 2007 as the global murder capital. To be sure, Jamaica’s crime problem cannot be readily attributed to a single factor, nor has the relationship between crime and the post-recession reforms been studied scientifically. However, the correlation between violent crime trends and the introduction of unprecedented austerity measures is unmistakable. Murders in Jamaica—which fell from 60 per 100,000 in 2009 to under 40 in 2012—had shot back up to 57 per 100,000 by 2017 (see Figure 3).



Source: World Bank 2020e

And these figures might have been higher had the government not taken draconian anti-crime measures since 2016, including the continual implementation of states of emergency across designated crime hotspots (Jamaica Gleaner 2019e). Thus, primarily poor urban Jamaicans endured an unprecedented assault on their

rights as the government sought to court foreign capitalists with taxpayer-funded concessions. In addition to the human toll that comes with worsening crime, government spending on crime-related matters had already represented between 1.4 and 2.4 per cent of GDP prior to the EFF (Jaitman et al. 2017:25). One economist who served an advisor to policy elites concluded that the uptick in crime stemmed from IMF-mandated cuts to capital spending:

And what we're seeing now in the intensification of the crime rate is the underspending on those things [capital spending]. [...] We only have 44 judges, a limited number of courtrooms, the lack of technology in the justice system. [...] In the communities where crimes are being committed: sewage water on the roads, broken-down houses, a whole lot of youth on the street corner because of the insufficiency of spending on those things. So, apart from the insufficiency of spending, there is also the problem of the quality of spending; what do you get back from what you spend? [...]. So, all of those problems, you are seeing it now. So, although the fiscal accounts are in a better shape now, what we are seeing in terms of criminality and anti-social behaviour are the downside effects of not finding the appropriate balance between the fiscal account and spending on the country's physical, social, and human infrastructure.

Marginalizing the Poor as a Policy Choice

While I have argued in this manuscript that the government faced real pressures to maintain market confidence if it wished to avoid a devastating debt default, it is important to not reify market forces as natural or 'invisible'. Rather, these constraints stem from material arrangements and ideological commitments of hegemonic actors in the global financial community. For instance, during the first two years of the EFF programme, Jamaica paid more to the IMF, IDB and World Bank in interest payments than it received in new aid disbursements (Johnston 2015:13). In other words, even as the Washington-based multilaterals agreed to assist Jamaica in meeting its acute fiscal challenges, the government paid out more monies to them than it received. And although multilaterals were a net contributor to the public coffers between 2015 and 2017, the government was again required to pay out more than it receives in assistance after 2018. Against this backdrop, Johnston has argued that

multilateral debt relief would have been a significantly better policy response than austerity. Specifically, the author notes that Jamaica received net disbursements of about 346 million USD from multilaterals involved in the EFF, whereas granting debt relief would have freed up over 1.6 billion USD in additional funds (p. 12).

Financial observers have also remarked that the stringent EFF conditionalities—in particular, achieving one of the world’s highest primary surplus levels—only became politically tenable because of financial support from Venezuela and China. They argue that this support, which was granted on more favourable terms than multilateral assistance, helped stave off the worst effects of Jamaica’s adjustment efforts. For example, the Chinese government had committed 700 million USD in investments in 2013, well before the confidence of private capital markets had begun to recover (Johnston 2015). This influx into the government coffers helped finance infrastructure needs and create thousands of jobs (Economist 2019). A significant fraction of Jamaica’s oil imports is purchased through the *PetroCaribe* agreement with Venezuela. The agreement—which sees Venezuela (despite its own challenges) selling its oil to neighbouring countries on concessionary loan terms—offers a lower interest rate than funding from the Washington-based multilaterals. In fact, the savings from *PetroCaribe* resulted in an injection of more than 1 billion USD in the Jamaican economy between 2012 and 2015, representing 2.5 per cent of GDP annually. As Johnston (2015) has notes, a large portion of the *PetroCaribe* agreement took the form of loans used to refinance domestic debt in support of the IMF programme. However, a second component of the agreement came from grants used for social development. These grants lent “support to the neediest who have been most impacted by continued austerity” (p. 13).

Reassessing Worker Protection

As I have noted throughout this manuscript, an important theme among scholars of political economy is the tension between business interests and the need for social protection in capitalist societies (Block 2010a; Crouch 2015; Polanyi 2001; Ruggie 1982; Streeck 2017). Polanyi's notion of *double movement* represents one of the earliest formulations of this conception. However, a similar concept, referred to as *capitalist rationality*, also plays an important part of Block's work on the centrality of market confidence. According to these scholars, governments seek to provide social security even in countries where market imperatives dominate political and economic life. This is because developed capitalist economies require a measure of worker protection to reproduce the labour force. In Polanyi's formulation, the double movement appears as a fundamental dynamic of political-economic relations. During periods where capitalist interests play an outsized role in determining economic outcomes, the market produces generalized hardship for workers. The ensuing social backlash then compels the government to provide social protections, lest worker agitation seriously undermine the capitalist system. Yet, defenders of the free market invariably come to reframe these social protections as the cause of economic hardship rather than responses to it. As workers secure more protections, calls for the government to fix the economy by curtailing social spending become louder and more successful. The cycle then repeats itself as the government withdraws from the market and capitalists regain their outsized influence in the economy.

While Jamaica is not a developed economy, those who study its post-recession policy response may well conclude that some of these dynamics are at play. Indeed, after halving the corporate income tax in 2013, the government eliminated personal income tax for workers earning below 1.5 million JMD annually in 2016. However, as

I outline below, a closer examination of the motivations and context within which this proposal emerges suggests that the income tax relief did not stem from social backlash (in fact, I argue in Chapter 6 that Jamaica's political economic relations are characterized forms of social predation that preclude the kinds of organized labour response that one finds in developed capitalist economies). Rather, I situate the government's motivations in terms of its own grab for electoral power, which, I argue, should not be conflated with worker power, however momentary. In fact, I contend that the government's cynical attempt to appear pro-worker reflects a wider tendency for policy elites to give lip service to social protections while deepening the material hardships that ordinary Jamaicans confront. In this regard, I also discuss the IMF's decision to include a social spending floor as a conditionality of the EFF programme, arguing that it arose more from a desire to improve the Fund's reputation than a serious attempt at encouraging social development.

Income Tax Gamble

As I noted in Chapter 2, the Jamaican government attracted widespread praise from the global financial community for their successful implementation of stringent EFF reforms. However, the IMF programme proved less popular with the Jamaican electorate. In the run-up to the 2016 election, political observers anticipated that the incumbent PNP administration would comfortably retain power, with some pollsters estimating it would win 40 of 60 electoral constituencies (Charles 2016; Jamaica Gleaner 2016a). The country's populist Prime Minister, Portia Simpson-Miller, had enjoyed strong support among the poor, while the Opposition JLP was beset by weak party organization and an internal leadership squabble. However, the PNP would go on to lose the election, which observers later attributed to the severity of its austerity policies and the JLP's promise to change course (Kebede 2016). Indeed, the polls had

begun to narrow in the weeks before the election date after the JLP made an audacious manifesto commitment: if elected, it would lift the threshold below which workers pay no income tax from 590 000 JMD to 1.5 million. The proposal promised to more than doubled the share of the 426 000 workers in the formal sector who are exempt from income tax, moving from 118 000 persons to 251 000 (Linton 2016).

Concerned that the promise would undo the progress made in regaining market confidence, the PNP and members of the business community condemned the JLP's campaign promise as a desperate and reckless power grab. The JLP's claim that its income tax proposal would not add to the deficit or require new taxes also baffled financial observers who costed the promise at more than 30 billion JMD a year (Matalon 2016). The party's return to power appeared all the more concerning because many of the figures in the new administration had also been in charge when Jamaica abandoned the 2010 SBA. And although the JLP is traditionally seen as more pro-business than the PNP, policy elites doubted its political appetite for tough reforms in light of its tax proposal.

Despite these condemnations, however, the JLP's last minute appeal to voters was not uncharacteristic of how Jamaica's major political parties operate. Both the PNP and JLP have tended to vehemently criticize austerity's effects on the poor when in Opposition, only to effect such policies once in government. In fact, the JLP's decision to campaign on a slogan that that government was "passing the IMF test while failing the people's test" was widely seen as a response to the PNP's own electoral campaign in 2011 when it accused the then-JLP administration of "balancing the books without balancing people's lives." A senior functionary in the Finance Ministry corroborated the view that Jamaica's political parties tended to criticize IMF-mandated austerity in Opposition although they understood it to be an imperative:

It [IMF reform] is always a political problem. So, people actually use that to campaign. So, for example, the current administration, while we were successful in navigating those reviews, part of their campaign was that the previous administration was only passing the IMF test and not the people's test. So, you pay back the IMF's money but you're not fixing roads; and hospitals are run-down and people are suffering. So, that is the kind of narrative. Although they know that it is imperative that you successfully navigate these reviews if you want to be a player in the international capital market and want to maintain local and international investor confidence.

Indeed, once elected, the JLP quickly fell in line with market diktats. According to one senior functionary, technocrats in the Finance Ministry and the IMF soon discovered that the administration did not have a viable plan for implementing the policy without either raising taxes or missing IMF targets, despite assurances to the contrary on the campaign trail.⁹⁷ The government, therefore, confronted three alternatives: 1) it could renege on the promise, a decision which would undermine the legitimacy of its term in government; 2) it could implement the proposal by driving up the deficit, which would significantly damage its credibility with the multilaterals, the local business community and the wider global financial community; or 3) it could fund the proposal by imposing additional austerity measures to raise revenues, which would result in the poor experiencing further hardship. The administration opted for the third alternative, levying 32 billion JDM of new taxes in its first two years of taking office (Thompson 2019).⁹⁸ As an economist I spoke to noted, the mostly consumption-based taxes resulted in a higher cost of living, reversing the gains that accrued to workers.

⁹⁷ As the functionary describes it: "*Originally, the way it was suggested could not work. We had to make an adjustment. We had several conversations with the IMF who also knew that the way that it was proposed could not work. And the cost to the government would have been 31 billion dollars in the first year, if it had ever been implemented. So, what we had to do was break it across two years and time the implementation in order to ensure that the government remained truthful to implementation and to its campaign promise without disrupting the economic program. And ultimately what we were saying early, the IMF came and said the same thing -- the IMF was convinced, as a result of which we had an adjustment to the implementation of the proposal.*"

⁹⁸ One business person pointed out that the administration had refuted the private sector's costing of the proposal, only for the measure to cost precisely what they had projected: "*And exactly what we talked about is exactly what happened. Over two financial years, it has cost them 30 billion dollars. That 30 billion dollars has come from additional taxes on natural gas and oil and a range of other products - in effect, a bunch of indirect taxes. [...] But anyway, it's done. And it was a great political gimmick. I think it won them the election, personally.*"

The administration also phased in the implementation in order to avoid violating IMF targets.

Ruffled by the shaky start to its incumbency and the memory of the 2010 SBA episode, the newly-elected administration acted quickly to allay fears in the global financial community. The new Minister of Finance quickly travelled to the major financial centres in Europe and the U.S. with a transition team from the previous administration to assure multilaterals of their commitment to staying the course of fiscal austerity. According to a government official familiar with these events:

And, in the process, we were able to take [Finance Minister] Shaw to meet with investors, to meet with the Washington group, to meet with key people in the donor community and give them the appropriate lines to communicate to ease the tension. And because of some of what was said by Mr. Shaw in Opposition, there was some nervousness on the part of the international markets and also those groups in Washington. But to his credit, he stepped into place and he addressed some of the issues properly, using the lines we had given and what we knew the markets would respond to favourably. [...] There was nervousness when the new administration came in. And I think us going on the road [to meet with multilaterals], [and] them seeing some of the same faces who would have been with [the outgoing Finance Minister] was reassuring to the marketplace that we were continuing. Citibank and the previous minister, Dr. Phillips, also said the same thing. [...] And it was a wise decision because going into New York, Washington, L.A., Boston, London, Amsterdam, the Hague, Geneva, Zurich, Frankfurt, and them seeing the same people around the minister was commented on consistently. Psychologically, it said that the team remained in place to support the minister.

In fact, the official pointed out that JLP had already started walking back its proposal privately on the eve of the election, underscoring the conclusion that the party had no intentions of pushing back against austerity in government.

The closer they got to the election, there was a certain muting of that [anti-austerity] argument. Because they kept being hammered to say, "If you get elected, are you going to maintain this programme of fiscal responsibility?" And there came a point when they had to say, "Yes, we are going to maintain the programme with the IMF." So, the point you're trying to make of the convergence [towards capital-friendliness] came about just before the election. And, after the election, even more so.

One businessperson I interviewed noted that the private sector was concerned about the JLP's tax proposal, but that this concern eventually disappeared as the administration's commitment to austerity became clear:

I think that people were a little concerned about what would happen after [the income tax proposal was implemented]. But the JLP is generally considered the party of business, so that concern quickly dissipated once the JLP, who was very surprised by its victory, came to grips with it. Within a couple of days, the business community had kind of rallied around and so forth.

It was also against the backdrop of elites' concerns that EPOC committee members insisted that the government re-engaging the IMF in a Precautionary Stand-By Arrangement. One such member highlighted this motivation in an interview:

[EPOC's] lobbying efforts resulted in the incoming administration, despite what they were saying on the campaign trail, basically agreeing that they would continue the policies of the former administration, even though there had been some tweaking. Although, on the campaign trail, the now-Minister of Finance would have been out there saying that they are not interested in passing the IMF test but in passing the people's test, now you see that the situation is that they have basically continued the IMF programme. And that being the case, that is the kind of thing we wanted, that kind of continuity that could ensure that Jamaica is able to put itself on a path to economic recovery.

A notable fact about the PNP's loss to the JLP in the 2016 election was that this was the first time in Jamaica's independence history that a government lost an election after a single five-year term. The fact that a popular administration experienced a surprising and historic loss to a disorganized Opposition after implementing the IMF programme should have been read as a repudiation of austerity by the Jamaican people. Yet, none of the elites I spoke to felt that the election results should undermine the government's commitment to maintaining market confidence. Indeed, while one might have assumed that the JLP's democratic mandate gave it the authority to roll back austerity, the administration's campaign promise ironically appeared to compel it to do more to appease capitalist interests so as not to undermine market confidence.

Thus, in the challenging post-recession environment, both of Jamaica's major political parties adopted capital-friendly austerity policies in government while criticizing them in Opposition. Moreover, the tendency to adopt a pro-poor posture during election campaigns is more indicative of a politically-expedient push for power than a meaningful attempt to provide social protection. In fact, it is useful to situate this tendency in the context of a wider practice where elected officials rely on pork barrel projects and political spoils to gain support. While the union representatives I interviewed bemoaned the lack of sufficient benefits for their workers, they too criticized political administrations for their perceived reckless spending. One union leader decried what they saw as politicians' willingness to prioritize electoral gain over sound policies:

I think there has been a view that successive administrations over the years have really acted out of expediency and more in keeping with what is in the best interest of their political parties rather than what is in the best interest of Jamaica. [...] So, that is the reason why there has not been really trust. There is anecdotal information about particular ministers speaking about letting things run in an election campaign in order to get votes and so on. and we felt that that approach to governance was not the best approach.

As proof of this orientation, the union leader recalled an episode where the government overspent its budget before the 2002 election. In what has come to be known locally as the 'run wid it' speech, the then-Finance Minister admitted a year later to having "run with" pre-election public expenditure despite knowing it was not the best use of resources (Luton 2014). As I discussed in Chapter 2, this episode provoked jitters in the local market, causing a significant currency depreciation, which increased the poor's cost of living. The fiscal crisis also culminated in the government deciding to freeze public sector wages and significantly raise consumption taxes. Indeed, if this type of expedient spending appears problematic to union leaders, it is

because it often leads to the government taking austerity measures in the future that ultimately reverse any benefits to the poor.

Feel-good moments

Thus, in place of offering a sustainable programme for social protection, political elites offer the poor what one government official described as “feel-good moments.” Reflecting on its loss at the polls after successfully implementing the EFF, this official suggested that the PNP administration itself could have done a better job in offering temporary benefits to counter the JLP’s income tax threshold proposal:

So, austerity is one thing. But communication and getting people's attention to why you're doing what you're doing is even more critical. But, at the same time, you need to make people have some feel-good moments so that they feel that the sacrifices are worth it. And I don't think that the PNP did that. I think the JLP is coming to grips with it now.

An economist I interviewed also pointed to the ways in which this “feel-good factor” has historically come into tension with IMF programme objectives:

So, we have a very bad record with the International Monetary Fund. It is always political dynamite because many persons believe, even the IMF themselves, that initially what they used to have was a kind of one-size-fits-all philosophy which the people of Jamaica read as currency devaluation and public-sector layoffs [...]. Now, politicians do not like that because they want the freedom to spend money and run large fiscal deficits and things like that. So, particularly, given that politics is about people, politicians want to give people the perception that they can continue to spend money—the feel-good factor! So that is why it is not always politically palatable because the IMF is going to say, “You're going to need to spend less. You're going to have to employ less people in government.” So, politicians do not like that.

The reliance on temporary ‘feel-good’ benefits also contains the potential to breed cynicism and apathy among electors who perceive politicians to be self-serving (indeed, non-elites expressed considerable cynicism about political elites in Chapter 6). The experience of one union leader appears to bear this out. The representative recalled an instance where the Opposition spokesperson on finance berated public sector unions for accepting the incumbent administration’s offer of below-inflation

wage increases. However, upon becoming minister, the same individual later insisted that workers accept a wage freeze. The union representative expressed frustration that “[...] this is part of the problem that we have had over the years. Our political directorate, when they are seeking office, they will promise everything.”⁹⁹

Political Citizenship

One may well argue that the pressure political administrations feel to spend on the poor during elections is a useful part of pluralist democracy since it counterbalances the business community’s push to pursue austerity. Besides, the tendency to spend on the poor during election cycles may be considered a beneficial aspect of representative democracy leading to important material gains for the poor. However, I find this reading less useful for understanding Jamaica’s post-colonial political economy. Implicit in Polanyi’s double movement concept, for example, is a kind of parity of forces, even if one admits that business interests tend to win out more often than not in capitalist societies. Instead, I suggest that political-economic relations in Jamaica are marked by a more rigid form of market domination. In post-slavery societies like Jamaica’s, the majority of workers were and are viewed as culturally- and racially-inferior to the wealthy minority who own capital. As I show in Chapter Six,

⁹⁹ In the full quote, the union representative sees this kind of political expediency as a contributing factor to Jamaica’s economic challenges: “*We were negotiating the last wage contract with the then-administration which would be 2015-2017. In fact, one of my members just sent to me the comments of our now-Minister of Finance who said what the unions settled for was an insult to the public sector workers. And that was four per and three per cent [wage increases]. One of my members sent me the clip from the Observer to say that Mr. Shaw would not now be putting forward another insult to them because this is what he said then! And this is a part of the problem that we have had over the years. Our political directorate, when they are seeking office, they will promise everything. And coming out of that [EFF reform] period of sacrifices and the private sector and unions being able to recognize that we need to pull out all the stops, put all hands on deck to solve the problem, we believe that our political parties would have recognized that it is now time for a different approach to how we conduct business and to our governance arrangements. But, clearly, that is not so. [...] The very same workers are saying, “How can you say we are unreasonable when you said a different thing in Opposition?” So that is the kind of problem that we face as a union to come to some kind of resolution without doing too much damage to our Jamaican economy.*”

maintaining this economic order relies on particularly intense forms of informal social and political predation. Within this context, it becomes difficult for workers and the poor to organize the political resources to mount an effective countermovement.

Against this socio-historical backdrop, elected officials offer political spoils not as a response to the social power of ordinary Jamaicans agitating to materially improve their lives. Rather, election-time spending appears as part of a predatory political system that conceives of the political citizenship of the masses in terms of a singular dimension: vote-getting. In this context, the poor, as political citizens, are reduced to a means of attaining elected office. Politicians win votes by offering hand-outs and arming supporters to corral and intimate other voters. What vote-getting fails to do is represent the interests and demands of the poor in elite policy deliberations or offer a true political programme for improving their socio-economic welfare. A kind of political 'bare life' (Agamben 1998), vote-getting should, therefore, not be confused with political representation or empowerment. In fact, it is the product of social and political disempowerment.

Indeed, the context within which the income tax threshold arose should also be contrasted to the private sector's corporate tax reduction proposal. In the latter case, the corporate tax reduction was the product of months of private sector-led deliberations. Moreover, political elites framed the corporate tax cut as a key part in improving the country's economic progress by fostering competitiveness. In the case of the tax break for workers, however, the JLP announced its intentions on a political platform without many specifics. The proposal was met with widespread cynicism within the local business community who viewed its implementation as containing the potential to undermine Jamaica's economic stability.

The Business of Government

Polanyi (2001) has argued that, even in cases where it intends to provide meaningful protections, government spending on workers' welfare often becomes the focus of market actors' blame for poor economic outcomes. If this is true, Jamaican politicians' propensity to spend expediently is likely to lend even greater credence to such criticisms and further calls to strengthen market actors' involvement in economic governance. As scholars have noted (Crouch 2015), pro-market ideologues usually recommend borrowing managerial techniques from the private sector to rationalize and downsize government. In Jamaica's case, prominent businesspersons drew on cases of politically-expedient spending to advocate for legally-binding restrictions on the government's spending capacity and the appropriation of economic policy prerogatives by the private sector. Over time, this shift erodes the state's capacity to structure economic outcomes by reducing the size of the government's budget relative to the size of the economy.

While emphasizing the need to have market actors step in to limit government failures, one private sector representative was unequivocal that "everything [the government had done] up to that point in time [when the government completed the EFF] was a failure":

Researcher: Did the private sector feel that the government failed in managing the Stand-By Arrangement and that it needed to step in?

Interviewee: But the government did fail in managing the economy. Everything up to that point in time was a failure. Which is why we went into that crisis that we had. If they were managing prudently, we would not have been in that crisis that we had, that extent of the crisis. So, the governments—all of them—are culpable. And, remember, there was a debt exchange prior to that which was done under the JLP government and then another second one comes up. At that point in time, the private sector had to look after its own interests and say, "Okay, we will participate only if we have oversight of the process because the first one didn't work out!"

Another prominent businessperson expressed that the government had mismanaged the economy by failing to run the country like a business, a sentiment which was also expressed by several others policy elites:

But who [in government] has sat down and thought through: where does Jamaica want to be; what are we good at; what are we going to focus on... how we as a small nation with a small internal market [can] make it in ten to 15 years' time? That is what you would be saying as a business! As a business, you would call together your leadership team, you would call together your board, you would call together your staff. And you say, "Let's plan and try this!" We are not doing that in this country. So, ten years from now, the economy is likely to have the same structure! [...] And it is just because I'm in business, you know. Because that is what I would do in business.

Because pro-market ideologues view the private sector as inherently more efficient than government, they may even push for the privatization of public agencies that are financially sound. This view led one financial sector lobbyist to express frustration that the government had not acted quicker to divest more public agencies. According to the lobbyist, even profitable public sector bodies will always "do better under a different type of leadership."

The government should focus on being a facilitator for growth wherever it is in the market. [...] So, whatever facility it is that they must put in place to allow and encourage growth, the government has to focus on that if they are really true to the growth slogan. [...] And it comes back to what we say about divestment and privatization. Because if we are true to that too, as the facilitator, the government is not businesspeople! So, the government needs to release some of those companies that they have that—even if they are doing good now—they can do much better under a different type of leadership. [...] The government should divest in such a way that [...] the amount that is coming back to them in corporate tax can assist with addressing some of the social problems that we are having and continue the growth and development of the country.

It was unsurprising, therefore, that private sector elites tied the improvement in market confidence in the wake of the EFF of their sense that the government had finally embraced its role as a facilitator of business interests. A tourism industry lobbyist, for example, spoke approvingly of this development:

I think they [the government] have a much-improved attitude [compared] to what existed five years ago, ten years ago, 20 years ago when they would just be a stumbling block in the way. Now, they see themselves as facilitators, which you would

have heard from other industries as well. [...] And, as I said before, the whole attitude of the public service is undergoing a change. And the people that we are dealing with have been trying as much as they can to facilitate.

However, support for market ideology was not exclusive to the private sector. Several of public officials I interviewed also embraced the idea that the government should look to private sector managerial techniques and involve businesspersons in its routine operations. In one case, a senior Finance Ministry functionary expressed the need to have the public sector adopt more performance-based evaluation techniques, pointing out that the Ministry brought in a private sector consultant to improve the operations of its EFF implementation unit:

You know, in the public service, we operate a lot on process, but not so much on results. And so, beyond the wonderful idea of having an IMF programme, there had to be a deliverable that delivers... a delivery mechanism set up to deliver on the arrangement. The minister and I spoke about it. We brought in somebody to the team who helped to shape and structure many of the targets. [...] We needed to ensure that we had standards for what we were doing because the private sector was investing so much that [we felt] the government should also invest.

Breaking the political cycle

The view among policy elites that the government was prone to fiscal indiscipline during election cycles also led to calls for greater restrictions on government spending. As one IMF representative explained it, tough fiscal reforms usually require short-term sacrifices in order to realize long-term economic gains. As a result, politicians who impose such sacrifices are punished by electors who do not perceive the eventual benefits of reform during their term in office:

Think about this: these [EFF targets] are tough reforms in the short-term with long-term gains. So, the gains come well after the political cycle, and the cost is well within the political cycle. It is very natural. That is a political no-brainer. So, the question then is how do you break that political cycle? At the end of the day, you have to put in place a mechanism to break that political cycle to make tough short-term decisions possible with minimal political cost. So, find the mechanism to minimise the political cost. If the construct is such that people are saying, "No, this is the right choice..." if you have a national coalition which is saying it is the right thing to do, you don't need to blame it on anyone [referring to the idea that the Opposition expediently blames the

government for austerity]. And that is the third-party validation that I was talking about. Otherwise, if you're thinking about the objectives of politicians as winning an election, then, of course, if that is unpopular, [...] then you will keep getting that [policies made on the basis of political expediency instead of sound economic analysis].

For elites, it therefore appeared beneficial to involve non-government actors who are insulated from public pressure in policymaking and oversight to help “break the political cycle.” Thus, rather than seeing the vote as a referendum on the government’s performance and a chance to determine future policy direction, elites come to view the election cycle as inimical to the of the prosperity of market economy.

Even as they promoted greater private sector involvement, some elites saw little need for democratic oversight from elected officials. This attitude became apparent after Jamaican authorities fast-tracked legislation through Parliament with limited consultation from the Cabinet and relevant subcommittees (see Chapter 2). Asked about the lack of parliamentary consultation, a private sector representative, who complained that “politics has taken over economics” in Jamaica, saw little utility in having elected officials oversee the process:

Frankly, I don't think it was detrimental [to not have more consultation with Parliament] because that grouping is essentially very politically-motivated, as would be natural. I think, you know, [Finance Minister] Dr. Phillips became very seized of the disservice that, I think, successive governments since independence have done to Jamaica in terms of not having maintained fiscal discipline. [...] And he recognised also that we had nobody to blame, really, but ourselves. And he was determined—jump high, jump low—in his term as Minister of Finance that those things were going to be done. And I think if you did not have as strong an individual as him driving the process—in particular as it relates to the interface with cabinet—there would have been a lot more argument and introduction of politically-expedient-type provisions than you actually saw in the final analysis.

Thus, the non-government elites involved in the EFF reforms held a deep and fundamental distrust of government. However, this distrust does not arise from the failure of the government to deliver economic security to its population. Instead, it stemmed from an opposite concern: that the government’s spending priorities might

precipitate economic crises that compromise market confidence and impose undue burden on capitalists in the form of debt default and higher corporate taxes.

An unforgiving global economy

While politically-expedient spending did contribute to Jamaica's economic challenges prior to the 2013 EFF, attempts to solely focus blame on the government's lack of fiscal discipline sidestep other important factors at play. In particular, elites ignored how global economic conditions also impacted the country's economic fortunes. If the authorities found it necessary to seek IMF agreements in 2010 and 2013, it was primarily in response to the 2008 subprime mortgage crisis and the contagion it produced on Wall Street. The price of oil, which accounts for about a third of Jamaica import bill, had also attained record highs in the decade preceding the crisis (moving from around 25 USD a barrel in 2000 to over 140 USD in 2008) (BBC News 2020; Roach n.d.). However, in my interviews, policy elites contended that external shocks invariably occur, and that Jamaica should have been better prepared. When asked about the role that global forces in the debt crisis, one private sector member retorted:

If we had oil prices high [but] we had a debt-to-GDP ratio of 20 per cent, we would be fine. But we had a debt-to-GDP ratio of 150 per cent, which means that more and more of your fiscal revenue goes to paying debt and less goes into the economy. So, much of it had to do with our own doing, our own management.

Still, only about twenty countries have a debt-to-GDP below 20 per cent (CIA 2020), many of which are either oil-rich Gulf states or heavily-indebted low-income economies that benefited from debt forgiveness. And developed economies like Japan had much higher debt levels (236 per cent of GDP) while the United States, Canada, the UK, France, Spain, Belgium and Portugal had debt levels above 80 per cent of GDP in 2017 (CIA 2020). It is, therefore, doubtful whether any developing economy

could achieve debt levels that would allow it to sustain the worst economic crisis since the Great Depression. For three centuries, the economy relied on the use of slave labour to sell cash crops to Europe. Although this trade proved highly profitable in the 18th and 19th centuries, the wealth it generated was expropriated from colonial Jamaica to enrich the British Empire and fuel its industrialization (Williams 1994). By the time Jamaica gained economic emancipation from Britain, the economy suffered from a low capital stock and a low-skilled workforce. The economy was also severely hampered by centuries of monoculture, unable to produce much outside of cash crops, which had seen a sharp fall in global prices.

Incidental Social Spending

Market ideology also undermines the interests of workers and the poor by treating social issues as incidental to more urgent matters of economic governance. While the IMF programme imposed unprecedented austerity measures on Jamaican taxpayers, it did make provisions for a floor on social assistance spending as an EFF target. The target required that the government not decrease social assistance below its 2012 levels (i.e. 1.3% of GDP) throughout the programme (International Monetary Fund 2013b). However, much like the JLP's tax threshold proposal, this decision did not appear to emanate from a careful consideration of how to maximize social welfare. In my interviews, I noted an important distinction between the social spending requirement and other EFF conditionalities. Whereas the other conditionalities requiring cost cutting and capital-friendly reforms were framed as necessary measures that contributed to solving Jamaica's economic challenges, the social spending floor was not seen as facilitating economic progress. Rather, policy elites felt that the measure was useful insofar as it made the adjustment more socially palatable. To this point, a member of EPOC confirmed that social issues had not reoccupied the

committee's oversight work. The member opined that the spending floor was, instead, included in the EFF "because it gave a little balance."

Researcher: Let me ask you a question about social spending. Because I think that was also a part of the EFF agreement but seemed to have taken a backseat. I haven't seen a lot of discussions about it. [...] Is that something that EPOC focused on?

Interviewee: No. And, between us, I just think that that was part of the agreement because it gave a little balance. So, you couldn't cut PATH [the government's flagship social assistance programme] to meet your primary surplus. And, I guess, it looked good that, in the Letter of Intent, it spoke to a floor on social commitment and so forth. But it just never figured in any of the discussions.

I put the question of the seeming tendency to relegate social issues to the periphery of policy discussions to one IMF official who initially appeared to agree with my assessment.

Researcher: In the EFF, I think there was a commitment to expand PATH and to maintain the percentage of the budget that was going to social spending. But in reading the EFF [documentation] from the standpoint of an economic sociologist, it almost seems as if social issues are treated as an afterthought or a way of gaining legitimacy for a programme rather than as an inherent part of those discussions.

Interviewee: Ahh... I see what you mean.

However, asked whether the IMF could be faulted for treating social protection as incidental to the EFF reform, the official repositioned that social programmes was the only component of the programme supported by a spending floor.¹⁰⁰ Yet, unlike the fiscal rule which legislated ceilings on the deficit and debt, the social spending floor was not set out in law, nor was it programmed to last beyond the duration of the EFF. Moreover, while public-private schemes like EPOC and the IWG emerged to address tax reform and debt oversight, there were no similar committees charged with addressing social spending priorities.

¹⁰⁰ According to the IMF representative: "[T]he floor we put on social spending is the only floor on any expenditure item, so I would not necessarily relegate that to last. If anything, it is the only expenditure line where there is a floor, where we discussed with the government and agreed that it cannot go below that."

Despite being represented in the IMF agreement as one of five main pillars of the IMF programme, the spending floor for social assistance had significant limitations. The Letter of Intent, which formally outlines the EFF details, notes that “[t]he social spending floor covers only a subset of the [government’s] social protection framework” (International Monetary Fund 2013b:66). This subset limited the recurrent social spending programmes the government was required to maintain to a mere six. The Letter also encouraged the government to administer “an effective and efficient social protection framework” by “implement[ing] welfare-to-work exit strategies for vulnerable households” (p. 19).

Given its lack of comprehensiveness, the EFF’s social component appears to provide few material protections for the poor, particularly when one considers the unprecedented consumption tax increases that accompanied it. However, its inclusion in the EFF as a “main pillar” of the programme did offer an advantage for the IMF. It allowed the Fund to better manage the optics of co-signing a programme that imposed one of the highest primary surplus targets on an impoverished country while offering a tax break to corporations. Public officials also seized on the social spending component to argue that the government had made attempts to mitigate the programme’s impact on the poor. Indeed, one such official emphasized the potential for the spending floor to provide the right optics, noting that “even the fact that it was mentioned, and people heard it was also good for them to know that an attempt was made to alleviate some hardships, so it didn't seem as if the government was uncaring.”¹⁰¹

¹⁰¹ The following excerpt from my interview with the official provides a fuller context to the statement: “There is a component that looked at all the social contributions that the government made, that it should not fall in real GDP terms below the level of 2012. So that was a significant adjustment that the IMF made to the program because they recognised, as well, that it would be a very austere program. And the history of Jamaica would tell you that we are like a tinderbox sometimes. So, the fact that that component was in the agreement helped to moderate behaviours... even the fact that it was mentioned,

Summary

In this chapter, I have sought to move beyond policy elites' understanding of the EFF's success in terms of improvements in Jamaica's fiscal accounts. I show that a more comprehensive approach—one which seeks to understand the negative effects of austerity on socio-economic conditions in Jamaica—underscores the argument that the EFF served to marginalize the interests of workers and the poor. It also raises questions about the political-economic order within which this marginalization arises. In this regard, I have argued that Jamaica's political elites have contented themselves with providing “feel-good” political spoils and paying lip service to combatting austerity during election cycles in place of a serious, long-term programme for social protection. Political elites' tendency to act based on political expediency is all the more detrimental to the poor because it involves reckless spending that furthers the need for austerity. This tendency also legitimates market actors' calls for smaller government and greater private sector involvement in policymaking and oversight.

While developed capitalist economies require a measure of social and labour protection for business activity to thrive, I have suggested that the lack of social protections emerges in the wider landscape of Jamaica's post-colonial economy. This landscape is marked by rigid forms of social and political disempowerment that make it difficult for workers to find the resources to organize their interests. In the next chapter, I draw on over two dozen non-elite interviews to illustrate ordinary Jamaicans'

and people heard it was also good for them to know that an attempt was made to alleviate some hardships, so it didn't seem as if the government was uncaring. And it also helped with communication as well for the sustainability of the program and its objectives.”

experiences with social and political predation, as well as the role of elite society in preserving the structures that produce this predation.

CHAPTER SIX: THE POLITICS OF PREDATION

Policy elites partly attributed Jamaica's success in completing the 2013 EFF to strong public support for the reforms. According to this view, the Jamaican public willingly endured unprecedented austerity measures in order to put the country on a path to economic recovery. However, this view of the public's attitudes towards austerity is not corroborated by the empirical evidence. I have already shown that the PNP administration charged with implementing the EFF went on to experience a surprise electoral defeat and that both of Jamaica's major political parties sought to distance themselves from IMF austerity programmes while campaigning. Still, to get a more direct understanding of public attitudes, I interviewed 27 non-elite Jamaicans in the course of this study. While non-elites were not always familiar with the details of the EFF reforms, these interviews provide the only scholarly insight into whether ordinary Jamaicans felt that policy elites reflected their demands and aspirations in the challenging post-recession environment. To demonstrate my findings, I include several quotes from interviewees. These quotes have been translated into English from Jamaican Creole. For culturally-specific terms, I italicize the Creole word and provide an explanation.

Jamaica's Fiscal Burden

Unequal Taxation

The introduction of a new tax code—which included lower taxes and generalized the incentives regime for corporations—represented one of the most far-reaching changes of the 2013 EFF programme. While non-elites were often unaware

of policy details, I found that questions about fairness in the distribution of the tax burden was a useful starting point for gaining insight into whether interviewees trusted policy elites to reflect their interests. Interviewees broadly felt that corruption was rampant in the country's tax administration and the government more broadly. Citing recent high-profile cases in the media (Jamaica Gleaner 2017), they perceived that politicians used taxpayers' money wastefully and for corrupt personal gain.¹⁰² 37-year-old Joanna, for example, accused politicians of spending resources in order to win elections while providing inadequate representation outside of the election cycle:

[The politicians] can determine how money is spent, whether to build a road or a hospital. They can manipulate and dictate to suit different parishes and constituencies. So, at the end of the day, it benefits their political gain. But the general population will complain that the roads have not been fixed for years. And nothing will get done because it is not in the political agenda to fix roads for these people. Even today, you heard on the news that they are announcing to spend millions to improve roads in St. Ann where there is going to be a by-election.

Pointing to past high-profile scandals, Lenny, a 63-year-old janitor, shared Joanna's sense that elected officials divert public funds into their own pockets:

The government used to steal a lot of the tax money. Which politician is going to see money out there and is able to steal it and not take it? Look at some ministers who took money and now their families are earning millions! There was the Iran Sugar Deal Scandal and the Cuban Light Bulb Scandal. We haven't heard anything in this government yet, so we're keeping our fingers crossed. But all politicians steal. But, for some of them, you might not know.

Several interviewees also suspected that the government allowed wealthy business owners to game the tax system while looking the other way. For instance, 41-year-old Marva felt that the government tended to favour the interests of the rich

¹⁰² Sheldon, a 30-year-old street peddler expressed distrust about the government's use of taxes: "Yes, I think there is a lot of waste. Government deals with some sneaky things sometimes. I am not judging. But you hear things and you put things together and figure things are happening." Keisha who works as a waitress and cook cited media reports of a government minister's million-dollar cell phone bill: "The government benefits most from tax collection. Recently, there was a minister who ran up the phone bill [on a government-issued work phone]. They know that their expenses are not coming out of their pocket. [...] If the government could fix the backdoor dealing -- people not paying taxes -- then it could do a lot more. But I think people are paying off others to avoid taxes."

because they belonged to the same socio-economic milieu. According to Marva, “[t]he government, they’re willing to help people but only the richer class. Because rich people are in their circle. They use poor people and take them for fools.” Howard, a taxi operator, also believed that politicians implement policies that favour the wealthy. He suspected that poor taxi drivers like himself could only get the government to pay attention to their demands by blocking the streets in protest. He too highlighted a tendency for political expediency to motivate government action, noting that the authorities would often aggressively clamp down on illegal taxi operators, only to again award them licenses to court support around election time:

The less fortunate, we pay way more taxes because some of these rich guys don't pay taxes. Their accountants do their calculation and do things to ensure that taxes are written off. People who are poor cannot do that and get away with it easily. For a small person to get the attention of the state, they have to protest and block the streets. A lot of politicians and groups, they talk but nothing ever happens. The government knows that. And they complain that there are people operating illegally as taxis. They have a licence to do one thing, but they do another thing. They don't have the proper vehicles and [the government] will clamp down on the licences. But when it's closer to the election, they will release a lot of licences to people.

Prior to these interviews, I was well aware of Jamaica low levels of tax compliance and large informal economy. For instance, the government has estimated that only about half of Jamaicans pay property taxes, 40 per cent lower than most developed countries (Ministry of Local Government 2020). It was, therefore, not surprising that many interviewees confessed to also avoiding taxes where possible. However, non-elites drew what was for them an important, if convenient, distinction between tax avoidance by the poor and by the rich. In the former case, they felt that they were already excessively taxed and were barely getting by on their wages. They believed that the rich, on the other hand, were motivated by greed. In my interview with Raheem—a 31-year-old college graduate with an electronics degree—he offered an interesting critique of how tax accounting practices systemically favour the rich.

According to Raheem, the government withdraws taxes from the gross income of workers before they are able to spend, while business operators are allowed to subtract various operating expenses from their revenues, including things like “business trips with their girlfriends,” before being taxed:

Interviewee: From what I understand, these big guys pay taxes after they pay their bills. They could never do that with poor people because if we were to pay taxes after we pay our bills, there would be nothing left. But, from what I understand, these big guys, they subtract their expenses and then pay their taxes. So, it works out better for them than for us, the working class. Our tax comes out before. So, we have to figure out how we live after they've taken out what they want. But these businesspeople, they will go on business trips with their girlfriends and subtract it as a cost of business.

Researcher: Do you think the company you work for does that?

Interviewee: Yes, they do. They have friends in high places. But we, the small people, can't say much. Because money talks, and bullshit walks. I think it is the bigger people who mostly get away with that. A lot of small people don't pay but it is just a matter of time before it catches up with them.

There is, indeed, evidence that Jamaica's tax system is especially iniquitous. A 2014 study of personal taxes found that Jamaicans who earn 1.5 million USD annually pay 29 per cent of their income in taxes, much lower than the global average of 40 per cent (Jackson 2014). However, persons earning 25 000 USD a year paid 26 per cent compared with a global average of 17 per cent.

Giving unto Caesar

It is important to underscore that while interviewees viewed the tax burden as being unfairly distributed, this did not mean that they opposed the principle of paying taxes. On the contrary, interviewees felt strongly that taxes were central to the delivery of essential government services. This attitude was reflected in my interview with Keisha, a 29-year-old waitress who aspired to open her own restaurant:

If I had a small business and I knew the government was using the taxes corruptly, I'd still pay. Because the taxes can redevelop the country and maybe I will get more business. It may not help everybody, but it still does a lot. It helps everybody in some

way, big or small. It just helps some people more. I might not be satisfied, but it does a lot. At the end of the day, it does a lot.

In fact, non-elites considered taxes to be an important means of contributing to society, and even as a moral duty for good Christians. On three occasions, interviewees invoked the idea that paying taxes was a biblical requirement:

The Bible did say give unto Caesar that which is Caesar's. I believe that contributing towards the country's success is important. I guess you could call it the national version of crowdsourcing money. - *Dane, 23-year-old musician*

Some people say they don't want to pay taxes because of corruption. But, remember, you have Caesar. And what is due to Caesar, you give to Caesar. Even Father-God said that! So, you have the government and the Father himself who set up government over the people. - *Banton, 34-year-old tiler and electrician*

Logically, we have to pay the tax. Some part of the tax is heavy, but we still have to pay. People have a duty to pay tax. It is in the Bible! It is in the Bible that you have to pay your land tax. Because tax goes towards the country. [...] Honestly, I don't know exactly where [in the Bible it is written], but it said that you should pay taxes from back in those days until now. It is part of the government system. You just have to abide by it. - *Donovan, 38-year-old musician*

If most interviewees accepted the need to pay taxes despite expressing concerns about government corruption and inefficiency, it was because they associated taxation with the enhancement of the public good. All interviewees pointed to various government services—particularly, healthcare, education, roads, security, and garbage collection—as vital resources that they could not afford or access on the private market.¹⁰³ Donovan, a 38-year-old security guard, saw several ways in which taxes contributed to social and economic welfare:

If the government picks up farming and it says they're going to expand it, it is our tax money that will help them to do that. I know tax pays a lot of people. I don't know how much money they get for tax, but I know tax pays a lot of people. All the government

¹⁰³ Simone also noted the importance of taxes in delivering vital needs to communities: “*Taxes help to do a lot of things, roads, water, fixing street lights. But some areas they focus on do not need as much help. Some rural areas urgently need water and roads.*” Donovan expressed similar views: “*Everything is taxed three or four times. You have tax on the income, tax at the supermarket. But tax has to be paid! I don't know why something has to be taxed so many times, but we have to live with it.*” As did Sheldon: “*I see it [taxes] helping. But not fully. The taxes are used for a lot of things. It helps deal with the IMF too. The amount that they're paying the IMF is kind of cutting down now and that is good. They do a lot of good. But I feel that they could do a little better.*”

workers, it is tax that pays them. All the road work, it is tax that does it. All the security posts that are built, it is tax that does it. I'm not saying that tax doesn't go towards the wrong things. But tax goes towards the country. I don't know if it is the major part or the minor part, but tax goes towards helping the country. And I strongly believe people should pay their taxes because a lot of times people go to the hospital and they get free treatment. The service could be better, but that is for next time. A lot of people go to hospital. They get their X-ray. They get their [saline] drip. And they go upstairs and lie down in the bed. And it is tax that does all of those things! It helps a lot of people.

Miss Bev, a 52-year-old housemaid, also relied on taxpayer-funded healthcare to treat her cardiovascular problems:

Sometimes I think [taxes] are a little bit too much. But I am all for taxes! I am hypertensive and diabetic. So, when I go to the clinic, it is now free. I don't have to pay. That is a good thing. When you get your prescription, you can actually walk into some drug stores and get your medication free. So, I'm all for taxes. I think it is a good thing. I think everyone should pay.

Similarly, Banton, a 34-year-old tiler, was happy to pay income tax contributions earmarked for education:

I directly know that, for instance, the PAYE [Pay-As-You-Earn income tax] and education tax are vital. You have the PATH programme [a government-run conditional cash transfer programme], for example. It does a lot for young people. My niece gets about 2 500 JMD every week to go to school. If the people don't pay education tax, who will become the sponsors and the donors? And they say the education is free, so who would pay the teachers?

Some interviewees also justified the need for taxes by citing the plight of public sector workers. Unlike policy elites, non-elites felt that the government needed to spend more on compensation for these workers. Banton, for example, felt that underperformance in the public sector was tied to low pay. He recounted a story he had seen on the news where protestors pelted a public hospital with stones over the perceived inadequacy of medical care:

Lawmen have to get paid. And that is a very vital part. The nurses who are saving lives too. So, the government sector is a very big sector, so the sector needs to get paid! I'm not going to lie to you: I am a tiler, and if I tell you the work costs 10 000 JMD and you pay me 8 000 JMD, you're going to get 8 000 worth of work. The quality work, you are not getting that! The government broke its wage agreement with the nurses. I saw on the news that a man crashed his taxi. They took him to the hospital, and he died. The people said the nurses could be doing more to save him and they stoned the

hospital. The people said the taxi man was a good man. But the waiting and time wasting [caused his death].

To be sure, while most respondents felt that taxes brought material benefits to their lives, a few did not. Despite noting that the government-run National Health Fund did fund medication for one of asthmatic children, Cassandra, a 26-year-old mother of two, expressed frustration about the perceived lack of benefits from her tax dollars:

Truth be told, I'm not seeing the benefits of paying taxes. And if I'm paying taxes, there should be some benefits realized. Because what you're telling me is, you're just taxing me to be a Jamaican. I'm helping the economy and doing my part. But I am not being helped. The public service is not being run properly.

Cassandra's frustration stemmed, in part, from what she viewed as the high debt burden shouldered by ordinary Jamaicans who played no part in deciding when and how much to borrow:

So, you hear that most of the money is going to pay debt that you didn't decide on. And that isn't fair. Beyond saying that Bob Marley came from the country and the fastest man came from the country, I don't see the benefit of being Jamaican. I am struggling.

Joanna, a 37-year-old beauty salon owner who employs two workers, also questioned the benefits of taxation. Her unwillingness to regularize her business and start paying taxes stemmed from her indignation that the government offered decades-long tax holidays to large hoteliers while she was yet to turn a profit on her small business.:

I think, ultimately, it is not that the taxes don't go to anything. But you are not seeing the immediate benefit to you! The return [from] taxes needs to be more direct. Because if you have a business and you are paying taxes and your roads are not fixed, you will feel as if you are not benefiting. You're a business that just started and you are trying to regularize. From the outset, you are expected to pay taxes. Yet, you have foreign hoteliers who come and get five-year and ten-year duty-free importation and stuff like that. So, why can't we as residents and small businesses benefit from something like that where they can say, "In the first year, you don't pay any taxes?" That way you can concentrate on getting everything together. But when you are functioning on a negative balance and [are] still expected to pay, chances are your business is going to go nowhere.

It should be observed that to the extent that some interviewees like Cassandra and Joanna felt that paying taxes was futile, this was born out of a sense that their tax dollars were going to pay debt and provide incentives for the rich instead of addressing their needs. Thus, austerity policies which bring about cuts to public services appeared to negatively affect the poor's sense that the government cares about their interests as well as their willingness to be tax-compliant. Or as Dane quipped, "If I can get the roads fixed and education improving [by paying taxes], then fine. But if that is not happening, then what is the sense?"

IMF and the Debt Burden

Attitudes towards the IMF

During my interviews, I also asked interviewees about their attitudes towards the IMF. This line of questioning allowed me to better understand the extent to which non-elites accord legitimacy to the Fund's role in steering post-recession economic governance in Jamaica. However, so as not to bias their opinion, I opted to ask interviewees what they thought about the IMF more generally, rather than in relation to specific austerity measures associated with the EFF. While some respondents appeared a lot more critical than others, none of them held favourable opinions of the IMF. Less critical interviews expressed the view that having the facility to borrow in an emergency was to the country's advantage, but they worried that the government had become far too reliant on debt.¹⁰⁴ Still, most respondents viewed the IMF's motives

¹⁰⁴ Sheldon, a 30-year-old street peddler, articulated this point: "*The IMF is somewhere where you can go to borrow money to help sort out the country. So, I have it as a good thing. But it seems like recently, the thing has gotten too high. To me it is good, but the government is putting the country in bankruptcy.*" Ms Bev also echoed this view: "*Well, the IMF, they're doing what they're supposed to be doing, which is lending money. My input on it is i don't necessarily like the idea of borrowing money unless it is absolutely necessary, or it is going to be used for a very good cause. You shouldn't be borrowing money*

with suspicion, often seeing its prescriptions as deepening poverty across the island. Raheem, for example, re-dubbed the IMF as the “International Mistake Fund,” criticizing the multilateral institution for imposing conditionalities that make it difficult to provide public education and healthcare.

Researcher: What do you think about the IMF’s role in Jamaica?

Interviewee: The IMF?! That is the ‘International Mistake Fund’! Because you dig yourself into a hole and you have to dig yourself out of the hole. Based on my understanding, the economy was going on fine and the problem started with the first IMF deal. I borrow money from you, and you tell me what to do with the money and how to run the country. I cannot tell the last time a proper high school was built. Because they have been dictating what happens. You cannot build a school. You have to be careful. You cannot build a hospital. You have to think twice because the people with the money are telling you [that] you cannot use the money to do that. Because it is not on your list of can-do’s in the whole IMF deal.

Researcher: So why would the IMF have a problem with the building of school if it was needed?

Interviewee: I don’t know what their motives are. I guess they want to ensure that you pay them back their money. But it seems like it is a hold-down, stifling thing.

56-year-old Snagga also claimed the IMF were ‘tricksters’ who trap poor countries in a cycle of debt by exacted higher-than-necessary interest payments from their governments:

The IMF is like a company. Once you borrow their money, you cannot stop paying them. They trap you! So long as you borrow money, you have to pay it back. How can we borrow money from the IMF? They are tricksters. They are the biggest tricksters in the country. The IMF are the rich people. Who are bigger tricksters than the rich people? Why would you have to pay triple for a little bit of money that you borrowed? It is foolishness! [...] The IMF has the most money in the country. If we borrow 5 dollars, we have to pay back 15. Why do we have to pay 15? Couldn’t we pay back the 5, or even 6?! No, we have to pay 15! That means that they get richer and richer. So that means you and I will never stop paying them. Jamaicans can run the country. We just need to use *neatness* [propriety]. The politicians have money to run the country. But they are fighting for power. They are fighting for their children. They aren’t fighting for me. They are fighting so that their children can own five houses.

to fix roads. You should borrow money if there is a disaster. Jamaica should have enough money because they tax you for everything.”

Hussla, a 45-year-old construction worker who followed the EFF programme closely in the news, felt that the IMF's demands around containing public sector wages was particularly unjust:

The IMF is a hypocrite too [along with the politicians]. The government had begged the civil servants to accept a wage freeze to meet the IMF targets. They got the money and now they're asking for more years, for year one, for year two, for year three. They won't be able to come out of it until 2020! I follow the news a lot. The government and IMF are friends. We could protest and hold up placards all we want; it will never change.

However, 26-year-old Cassandra appeared the most scathing in her criticism of the Fund. She lamented that the IMF's austerity diktats produced job losses and currency devaluation, which she viewed as worsening poverty. For Cassandra, it did not make sense that the country had to sacrifice so much to receive IMF funding which, instead of being used productively, amounted to "just taking a loan to pay another loan":

I feel like they [the IMF] are assholes! When the government takes a loan from them, it's like you're selling your soul because of the terms and conditions. I'm not exactly privy to the terms. But when the government took a loan from the IMF, the [Jamaican] dollar went through the roof. And the dollar just climbed and climbed like crazy. Because they said the dollar should be higher. And a lot of these layoffs and so forth, I feel like the IMF has a lot to do with it. I feel like the IMF really drives a country into poverty more than helping. I don't feel like they are a company with good intentions. You have to sacrifice a lot to get a loan from the IMF. And you are just taking a loan to pay another loan. That makes no sense!

Wrong Spending Priorities

In several interviews, non-elites expressed concerns that the authorities had accumulated high levels of debt, which taxpayers would be required to shoulder. While the IMF programme did provide cheaper short-term financing that could replace existing loans, some interviewees felt that this arrangement did little to undo the government's structural reliance on debt. For these interviewees, external loans furthered a cycle of dependence on foreign actors. Banton, for example, worried that

the recent influx of Chinese government loans could deepen Jamaica's chronic debt burden:

But taxes have to be paid because the country has to function. That is why we are getting destroyed because right now we don't have the money. The Chinese come and they say, "You don't have the money, so we will build what you want and then you pay us back." And from now until God comes, we will be paying back the Chinese man.

Poochie also fretted that Jamaica's growing indebtedness to countries like China could lead to the politicians putting the interests of foreign creditors over those of the country.

The Chinese are taking over Jamaica now. We have no talk in our country! The Prime Minister has sold out the country to the Chinese. All of them are the same. They are rich and we are poor. They don't care about poor people. The politicians drive past us and forget that we were the one who put them in power.

Rather than turn to overseas lenders to finance its functions, several interviewees felt that the government should pursue better tax compliance and more effective use of public resources. They suggested, for example, that the government could cut its appetite for debt by spending less on frivolous infrastructure projects and equipment. They advocated, instead, that the government direct tax dollars to areas such as food production and employment opportunities, which would both address social ills and widen the tax base. For example, Simone, a 33-year-old fast food restaurant employee, failed to see why the government could not do more to promote farming locally if Jamaicans were being recruited to plant and harvest crops in North America:

The people who have influence over the government are businesspeople and diplomats. The government sends workers to Canada to work. But the same crops they plant over there, they can plant here. But they do some unnecessary things like build highways to connect to places faster, but it is not needed. That money could fix up the place, give people jobs. Employers want people with experience. But how can you get experience in the first place? The government can try with those people.

Donovan, who had his sights on becoming a farmer one day, espoused similar views:

Interviewee: What we need to do is get the gunmen in prison to start doing some farming, so that we can grow our own food. Because I don't understand why we have to import food and it is more expensive than food that is grown here. The pound of

carrot [grown] here is 100 JMD. And the carrot that is imported, it's 30 JMD a pound. How is it possible with the other one taking ships and boats?

Researcher: Why do you think that is?

Interviewee: I don't know. I've been thinking about it for years and I don't understand how it is cheaper. We need to do more farming in Jamaica, grow our food and start exporting it. The country must develop more. Then there will be less unemployment, less crime. A lot of times, people are hungry. That is why they go to criminal activity.

Tash, a 24-year-old owner-operator of a vending stall, also criticized the government's decisions to modernize police equipment as wasteful. She argued that acquiring new equipment did nothing to address the fundamental issues with policing in Jamaica, which she saw as the fact that many cops were in the pay of criminals:

Sometimes the government will spend money on painting or fixing up things that don't matter. And they will neglect funding education, long-term funding. They will do unnecessary things like buy stupid cars. The police will have 50 new cars. But when you call them, they still don't show up. Everybody is working with each other. The police and the criminals are working together. So, they still don't solve the problems.

These attitudes towards debt and government spending priorities also reveal an important distinction between elites and non-elites. While advocating for lower spending on social services and the public sector, policy elites acknowledge that capital spending (building infrastructure) serves an important countercyclical role during an economic slowdown. Indeed, this acknowledgement is inescapable for pro-market ideologues because markets will fail to provide public goods due to the free-rider problem. In addition, unlike other forms of public expenditure, capital spending mostly involves awarding contracts to private companies rather than funding public bodies. Thus, market ideologues—who tend to be quite austere when it comes to other government expenditure—may adopt a very Keynesian view of capital spending, acknowledging its potential to spur growth and job creation. On the other hand, the non-elites I interviewed considered infrastructure projects as mostly wasteful and further compounding the debt. Instead, they felt that the government should use limited

public funds to directly address instances where markets alone fail to produce desirable socio-economic outcomes, particularly where it concerns adequate employment opportunities.

Government as Job Creator

Before my entrée into the field, I had intended to purposively select persons in a range of different employment situations (unemployed, self-employed, employee, small business owners, etc.) so as to get a cross-section of opinions across different socio-economic groups. However, I quickly realised that individuals continually moved through several different jobs, such that their current employment situation was more an artifact of when I spoke to them than their long-term employment experience. In fact, most interviewees had cycled in and out of unemployment in the preceding two years and frequently engaged in informal “side hustles” while employed. The women I spoke with were often housekeepers, shopkeepers, store clerks and office assistants. Men were often construction workers (welding, masonry, tiling), taxi operators, gardeners, farmers, barbers, car washers and security guards. Vending and waiting tables were also common activities among both genders. Most interviewees described earning between 1 500 and 3 000 JMD a day, although it was also not uncommon for them to go several days without earning a wage. This translated to about 12 to 14 USD in nominal dollars, or the equivalent of earning between 22 and 44 USD a day in the United States when adjusted for purchasing power.¹⁰⁵

¹⁰⁵ The purchasing power parity adjustment is calculated using the local currency unit (LCU) as the conversion factor. In 2019, it took over 140 Jamaican dollars to purchase a US dollar whereas the purchasing power of about 70 Jamaican dollars are equivalent to one LCU. One LCU is equal to one US dollar in the United States.

A majority of respondents had completed high school and then received some form of vocational training or university degree. I was struck by the fact that, while some had gone on to work temporarily in their field of training, they rarely developed long-term careers in those fields. For example, Dane, a talented singer and saxophonist, was unemployed when I interviewed him—although he held a degree in musicology from the island’s top performance arts college. Similarly, Banton made a living in construction after being trained in tourism management at the HEART/NSTA, a public agency which offers technical vocational training to thousands of Jamaicans each year. Racquel, who also completed a yearlong training programme from HEART/NSTA in computing, worked as a practical nurse. She had found it difficult to pursue a career in computing after the agency cancelled a planned internship at the end of her training, and employers rejected her for a lack of experience. In interviews like Racquel’s, non-elites repeatedly expressed that the government needed to play a direct and active role in job creation where the market fails to do so.

Among the underclass in Kingston’s blighted inner cities, politicians and their gunslinging community enforcers, known colloquially as *dons*, do play an important role in doling out seasonal jobs. These jobs were typically for public works contracts given to party supporters for activities such as bushing, road repairs and street cleaning. However, inner city residents I interviewed complained that the public works jobs were few in number¹⁰⁶ and particularly difficult to come by for persons who are not known party loyalists. In the excerpt below, Hussla describes losing a job because of his lack of involvement in partisan politics:

¹⁰⁶ Pochie, a 45 year old vendor described the difficulty in residents obtaining seasonal work: “*The government will give road work but that is during Christmas. And, if they do give roadwork, it is probably just three people in a community. Or some of them will give you two weeks and then rotated to somebody else for two weeks.*”

Site work depends on *links* [connections]. Because most sites will have a sign up saying no vacancy. But if you have political connections and you know the person who controls the site, they will bring you in on a work. [...] When the politicians are giving out jobs, you have to wear their hats and shirts so that they can know you are involved in it too. I used to work for a man who stopped giving me jobs because he said he never saw me at their political meetings. We who are willing to work, we are not getting any jobs!

Still, other interviewees described more desperate circumstances for those who could not find gainful employment. As I discuss in greater detail later, many of Jamaica's inner-city youth become involved in crime to earn money. Two interviewees also recounted that women increasingly turned to prostitution to survive. Snagga, a 56-year-old inner-city resident and one of my more colourful interviewees, recounted seeing women exchange sex for money:

Researcher: So, what are the women doing in the community? How do they bring in money?

Interviewee: They sell things, and they bring in money to the gunmen. A lot of women in the ghetto are whores. A lot of the young women, that is what they live by! I live in the ghetto and I hear people say they have 6 000 dollars and they call a girl. And she has her man, but she sneaks out and gets another man to have sex with her and gets the 6 000 dollars and her boyfriend doesn't know.

When asked about the most important thing the government could do to improve their lives, all but one of my non-elite interviewees said they would like more employment opportunities (the exception citing improving the education system as most urgent).¹⁰⁷ However, these respondents did not view the types of seasonal jobs handed out by politicians as desirable. Rather, they hoped that the government would

¹⁰⁷ Sheldon, for instance, advocated that the government push for full employment to combat crime: "The most important thing to change is probably more jobs. But they [the government] have to ensure that everyone is working. Because I think idleness is the problem that is contributing to crime. Because when I am done selling on the street in the evenings, I am tired. Lots of times, I want to idle but I can't because of bills." Keisha also felt that the government could do more to create jobs: "How could the government help my situation? Increase my pay and create more jobs. So that persons in my age group can try different job opportunities." As did 52-year-old Ms. Bev who felt that the government needed to focus more on young people rather than persons her age: "The most urgent thing we need is to deal with the closed-down factories. We need more jobs for young people. Too many young people leave school and aren't doing anything. They have no jobs."

use tax dollars to create publicly-owned enterprises and employ citizens in industries like farming.

These calls for the government to create jobs represents an important divergence between elites and non-elites on the question of the role of government. As I have shown in earlier chapters, policy elites contend that the government's core function is to be a facilitator of the private sector. To become an effective facilitator, these elites argue, the government needs to restrict public spending and privatize public bodies where possible. Non-elites, however, had an entirely different conception of government. For these interviewees, the legitimacy of government officials—even those who are inept or corrupt—rests on their ability to facilitate the material needs of the poor. As I have shown above, this view was not limited to the domain of job creation, but also included the provision of essential public services such as education and healthcare. In this sense, non-elites appeared to view austerity measures as antithetical to the purpose of government.

Elite Predation

The economist James Galbraith has employed the term “predator state” to refer to the corporate capture of government in the United States after the 1950s (Galbraith 2008). According to Galbraith, U.S. corporate elites profess an ideological commitment to small government, which encourages the privatization of the public sector as a means to acquire more assets. In moments of economic crisis, however, this commitment proves hollow as these elites leverage their political power to receive government-funded bailouts. Galbraith, therefore, describes the predator state as “a political system in which a narrow band of elites uses policy instruments for its own benefit, while the rest of the population foots the bill. This clique is enabled and

defended by a class of professionals—economists, lawyers, and consultants, whose main function is to justify the predation and denigrate any attempt at political change.”

In this manuscript, I have argued that Jamaica’s post-recession policy-making landscape reflects a similar predatory dominance by business interests and other pro-market elites. However, there is also a second, more historically-situated form of social predation that emerges in Jamaica’s post-colonial economy. Himself a Jamaican, the comparative historical sociologist Orlando Patterson has argued that post-colonial labour practices on the island have deep roots in its history of colonialism and slavery (Patterson 2019). For Patterson, "the economic and physical savagery of the British that made this vast production of wealth possible took an unspeakable toll on the slave population, which, unlike that of America, never reproduced itself" (p 5). In this section, I recount interviewees’ stories that underscore how structures of labour exploitation reflect cultural attitudes based on racial and class hierarchy.

Corporate Predation

One of the most pervasive themes in my interviews was non-elites’ frequent experiences with what I have termed ‘predation’ at hands of the powerful. In particular, exploitation by employers appeared as a recurring topic. One such form of predation pertains to Jamaican employers’ hiring practices. These employers are required by law to withhold pension payments and other statutory contributions from employees’ salaries and pay them over to the government. Additionally, they are required to contribute to the pension scheme by matching their employees’ contributions. However, employers are able to escape these obligations if they continuously rehire workers on contracts, a common practice among low-skilled workers who make up the majority of the labour force. The overreliance on contract work has serious implications

for employees who may work all their lives and not become eligible for a pension once they retire. In fact, one prominent businessperson I interviewed lamented that the practice effectively creates “future wards of the state” and results in the private sector shifting labour costs to the government:¹⁰⁸

The entire security industry where they do these contracts that they break for two weeks every 12 months so that the employees are contract employees, they don't take any statutory deductions from them. They don't take NIS, NHT, any of this stuff. [...] The fact that they don't take any NIS and the security companies don't provide any kind of pension benefit, what you are doing is you're creating future wards of the state. I mean, I don't think somebody earning the wages of a security officer at my gate is going to be able to earn sufficiently to put aside for his retirement. And a lot of it also happens in the tourism industry where what they do is have third party companies that actually employ people on a contract basis and then they provide those employees to the hotels. So, the hotels are not paying it either. I don't say all of them, but quite a few of them. The Spanish, for example... NIS [National Insurance Scheme], NHT [National Housing Trust], they've never paid a dollar! And it's ridiculous! To my mind, those are very visible. The security industry is very visible, the tourism industry is very visible.

Still, even the non-contract workers I interviewed believed that employers habitually failed to pay over income tax contributions to the government, despite withdrawing them from their salaries. Keisha, who had been preparing food and waiting tables at a restaurant for four years, doubted that her employers paid taxes:

Since February, I have not been getting a pay slip, so I don't think my company is paying for it. They say that the machine is down, but I think it is a lie. I think the government has been clamping down and that is why.

Simone, who manned the cash register at a fast-food shop, heard of co-workers who had been denied certain tax returns because their employer had not paid their contribution:

Researcher: Do you have health insurance?

Interviewee: No. This company?! If I got sick, I'd definitely have to find it [money] on my own. This company, I doubt they pay tax. I've been working here for three years

¹⁰⁸ An economist also complained about the negative implications of having a large contract workforce: “Additionally, we have seen the labour laws of the country been structured in such a way where private sector persons can employ us on contracts, pay us dirt cheap money, take no responsibility for social security, and the administration seems powerless to do anything about it.”

and my salary is still the same. [...] I heard that some of my co-workers went for their tax return and they told them that the company is not paying. The companies are benefiting because they draw taxes from your pay. But when you go to the tax office, they say that tax was not being paid.

Donovan, 38 years old, had an electrical installation certification and had been working as a security guard on a college campus for almost two years. After leaving his old job where he had spent a decade, he discovered that his former boss had not paid over his pension payments and other salary deductions to the government. He approached the Ministry of Labour who assisted him in bringing the matter to court. However, he could not afford a lawyer. Feeling intimidated by the prospect of representing himself in court after being reprimanded for referring to the judge “miss” (as opposed to “Your Honor”), Donovan stopped pursuing the matter:

The Ministry of Labour gave some help, but they aren't giving you enough rights. You take a man to court to pay the money, but you can't get him to pay the money. You come to an agreement to pay money and they're not paying. They're not pushing the effort. And there's nothing in place to ensure that... Nothing came out of it. I left him to God and to time. I was there for ten years, from 2002 to 2013. And for eight years, it was pure foolishness. I was supposed to get 300 000 dollars. The man came with his lawyer and I didn't go back to court. The Ministry of Labour was very good about telling me what I needed to do. But I didn't get any representative from the Ministry of Labour. I represented myself. I think they should have helped me to get a lawyer to talk for me... somebody like me who doesn't have any court experience. But he had a big lawyer who goes to court every day. How do you expect me to win? I went into the court without knowing the procedure. I called the judge “miss” and got in trouble. I just didn't feel like going back. Perhaps I would have gotten a little bit of money if I had a lawyer. I would have had a better chance of winning that case.

The treatment workers described contradicts assertions by some private sector elites that Jamaica's labour laws are unfriendly to businesses and make it difficult to sanction unproductive workers. In one interview, the head of a prominent private sector association criticized labour laws for the country's low productivity levels:

Interviewee: We need to invest in infrastructure. We need to invest in technology. And we need to ensure that people are productive, for example, by reforming the labour laws which basically give workers all the rights, even when they are seen on camera to be wrong! So, we need to change that.

Researcher: In what way do laws give workers all the rights?

Interviewee: If someone is slacking off at work and being unproductive, you have to go through a process which might take you 90 days, for example. But during that time, what do you do? So, we have a relatively unproductive workforce in Jamaica. Even though we have good workers, our systems and laws don't allow us to capitalize on productivity. And when you have that, then it is going to affect your production.

Interviewees also complained that their salaries remained stagnant over many years, despite high levels of inflation.¹⁰⁹ Here too, they suspected that business owners exploit customers by keeping prices high, even when their production costs decrease. 26-year-old Cassandra expressed frustration that prices did not appear to fall after businesses benefited from lower import costs tied to a recent period of currency appreciation:

Inflation is just ridiculous! Another thing is the exchange rate. When our dollar goes up and the U.S. dollar goes down, you don't see any reduction in prices. We, as the Jamaican people, are not benefiting. And as taxpayers our voices are not being heard. I just think the country is in a very, very, very shabby condition.

However, what I found most remarkable in talking to these workers was that, almost to a fault, they described being regularly put in abusive or demeaning situations by their bosses. Although there were many others worth recounting,¹¹⁰ the stories

¹⁰⁹ Lenny, a 63-year-old janitor, bemoaned the lack of salary increases from companies making large profits: *"The problem is that the pay stays the same and the salary is the same and the prices keep going up. The businesspeople are making billions of profits. And one of the businessmen came out and said it is time to pass on some of that benefit."* 56-year-old Snagga also complained that his wages had not grown sufficiently given the increases in living costs: *"I would get 1 500 JMD a month. This was about 1990. At that time, you were earning that amount of money and today you are still earning that amount of money. Nothing is being raised on our money. Today if you work, you get 3 000 JMD for two days. There is one construction site that pays 3 000 JMD and it is very attractive. Nothing is going on right now."*

¹¹⁰ Saxophonist Dane described working for a pastor who subjected him to substandard work conditions and pay: *"My partner and I were homeless for a while. I moved to a church compound with a pastor. The bathrooms were in a different building, so we could not even shower every day. I was playing piano for the church for 3 000 JMD a week. I went to ask the pastor a question one morning and he was mad that I approached him. He slammed his car door in my face, saying, how dare I come talk to him without setting an appointment first!"* Racquel, a trained practical nurse, described experiencing discrimination from employers who notice that she lives in the ghetto: *"Sometimes, people will look at you and judge based on how you look and where you live. Because a lot of times, I have had experiences where people will not give me jobs because of my address from what they call the "ghetto" because people think that the ghetto is a place. But it is a mental experience. So even though I might look like a nice person, because I'm from Tavern, people will not want to hire me. So, I have to will myself to the job. I have to make the employers understand how much I need the job and to dress properly and speak properly because of my address."*

shared by Hussla and Simone stand out in this regard. Simone, a 33-year-old breadwinner for her three-year-old child and three siblings, left her job at an Indian restaurant after being constantly berated by her employers:

I used to work at an Indian restaurant after work [at my current job as a cashier at a fast-food restaurant]. But it started affecting my knees, I would leave at 5 p.m., get there at 6 p.m. I would wait tables until midnight and be back here at 6 a.m. They did not treat me with respect. It was some Indian people. They would call me 'stupid girl' and stuff like that, and I was not going to stand for it.

A 45-year-old construction worker, Hussla's only formal job was working in a hotel for three months. After recounting that he had sold a pair of loud speakers for half its value to buy shoes for his son, he made one request of me, "when you write your book, put 'hard life'... no, put 'hussla' [hustler]." Hussla went on to describe the time his boss berated and fired him for accidentally ripping a pair of undersized boots that made his feet sore:

I was on a construction site. I didn't have shoes [safety boots]. And the owner paid me 8 000 dollars for the fortnight and took 6 000 dollars for the shoes. The shoes could not fit, so I tried to break it down at the back. And he told me that if I broke it down, I would have to leave. And every day after I got home, I would have to put a piece of brick in the shoes to make it stretch. The shoes were cheap and not sturdy and so it ripped, and I was fired. A lot of times, you're supposed to work from 8 a.m. until 5 p.m., and at 5 p.m., they will tell you that you have to move tiles or mix cement. And you are exhausted. And, because of how you look, people think you are a thief while you're going home when they see how you're dressed. That is how 'society' people view me!

Social Predation

Nor were these predatory practices limited to the workplace. Other interviewees appeared to share the sense of the discrimination and indignity Hussla and Simone describe as coming from the upper echelons of Jamaica's postcolonial society. In particular, 56-year-old Snagga painted a vivid picture of the discrimination that confronts poor, dark-skinned Jamaicans, even in a society where the vast majority is

African-descendant. Sitting on a concrete wall outside the island's only MAC cosmetics store, he pointed to a light-skinned woman working inside:

You see where she is working? They put her up front because she's light-skinned. We have to look light-skinned like her to get a job. They're not going to call me with education and put me there, because I am black. But if I'm brown, I get a decent job. If I'm black, they don't trust me, because I am a thief. That is what is happening in the country!

He reminded me that, a generation ago, dark-skinned Jamaicans were not allowed to attend certain schools or worship at some churches. Though times had changed to allow some to become well-to-do, prejudice against the African-descendant masses remained rampant among the mostly light-skinned upper class.

Once upon a time, black people could not go to Campion College [a prominent high school, considered to be the best in the country and often attended by children from privileged families]. You could not go to Catholic schools. That is what black people used to get. My children could not go amongst *high-coloured* people. "He is black and ugly!," that is what they used to call us. And black people are the brightest people in the country. And the most skilled people. I have a white friend who told me if he is in a hole and he needs to come out and a black man is in the hole, he's not worried because the black man will allow him to climb on his back to get him out. He was a businessman. He said he didn't have to fret because he knows the black man is going to allow him to come out because he is white! That is how they think. White people don't like black people. Could I go to a white person's yard? They would set the dog on me to bite me. The prime ministers, they might be black, but they have white hearts. Michael Manley was the only one who had a black heart. He made people hold up their head and have sense.

As a consequence of this racial prejudice, Snagga felt that he needed to bleach his skin to improve his employment chances.

When was the last time you saw a black person lose our championship? We are better than them. But because we don't have money, so they hold us down. I bleach my skin because that is a means for me to get work. The people who bleach their skin will get work.

Several interviewees also described forms of social predation at the hands of state institutions. These non-elites recounted instances where the security forces and justice system victimized the poor and vulnerable. The saddest and most reprehensible instance of social predation was recounted by Nicole, 19-year-old who

spent part of her childhood as a state ward. Although she had been jobless for several months when I interviewed her, Nicole had briefly worked as a cashier and janitor at a food shop and a customer care representative at a call centre. However, that had not been her intended career path. Nicole was passionate about childhood education and had begun studying for a teaching degree before dropping out. As she described it, “I grew too attached to the children. Their problems often became mine. So, I took a leave to decide whether I wanted to do this profession.”

Later in our conversation, I asked Nicole whether she felt that the government institutions were responsive to her needs and aspirations as a citizen. She recounted that, while in state care, she had contemplated writing a letter of complaint to government officials and the media. In a somewhat roundabout fashion, she explained that the letter would focus on corruption at the Centre for the Investigation of Sexual Offences and Child Abuse, a police agency charged with investigating sex crimes involving minors. Nicole then revealed that a police officer at the agency who interviewed victims in state care would himself abuse the victimized children. She underscored the egregiousness of those acts:

I can understand a police officer chasing a gunman for stealing a woman's bag and splitting the money between himself and another policeman. But to interview somebody who was a victim of a sexual assault and then to do the same thing, you must be two different spirits in the same body. His job was to investigate, but he did it.

I never directly asked Nicole if she was the person in question. She had mentioned before that the letter would address an issue she was facing, and I felt that it was neither appropriate nor ethical for me to ask further questions on the matter. Still, I tried to acknowledge the immorality of the abuser's actions in a follow-up question. As had been the case with so many of my interviews, my questions about

them navigating the Jamaican economy and polity began feeling all too “academic” in the face of the sheer hardships they had experienced:

Interviewee: When I was younger, when I was a ward of the state, I thought of writing a letter because I had issues with certain things. I was going to write anonymously. And if I had written it, somebody would have heard of it. I was young. Now, I am out of the system. I have more knowledge of the world. But at the time, I did not. If I had written the letter, I would have addressed it to politicians and reporters. My first stanza [sic] would not have been disrespectful, but it would have hit home because it would have been very descriptive. You would have to continue reading. I would describe issues I had at the children's home and that I continue to have. I think the police force is the most corrupt group I have ever heard of!

Researcher: What kind of expenses do you have with corruption in the police?

Interviewee: There's an officer at the agency there, CISOCA [Centre for Investigation of Sexual Offences and Child Abuse]. When persons commit sexual offences in relation to children, he would have to interview them. And yet he was the person who was committing sexual offences himself. I can understand a police officer chasing a gunman for stealing a woman's bag and splitting the money between himself and another policeman. But to interview somebody who was a victim of a sexual assault and then to do the same thing, you must be two different spirits in the same body. His job was to investigate, but he did it.

Researcher: Wow, that's unbelievable! Do you feel as if you could have complained and gotten the civil service to do something about it?

Interviewee: They probably would listen and document it. You would have to be somewhat aggressive and serious but not disrespectful, and perhaps go to UNICEF.

An Epidemic of Violence

Perhaps the most jarring aspect of my fieldwork was the extent to which violent crime appeared to pervade the lives of interviewees, particularly those in the inner cities. My semi-structured questions focused on issues related to taxation, government services, jobs and the economy. Yet, non-elites would invariably bring their responses back to issues of violence. However, this appears less surprising when one considers the result of a 2019 public opinion poll in which two-thirds of respondents identified crime and violence as the most pressing problem facing Jamaica, followed by 22 per cent who identified unemployment (Loop News 2019). This preoccupation with

violence was typified by my exchange with Sheldon, a soft-spoken 30-year-old who sold rags and socks outside various shopping malls. Responding to my question about whether Jamaican society was fair, he soon began expressing concern about falling victim to the gang war that had gripped in his community:

Researcher: Do you think Jamaican society provides equal opportunity to all?

Interviewee: I think a lot of people are trying. But it is the way it is set. You need a lot of guts and faith. Lots of young youth in my area, because of the stress, they get mad. And I wonder if the system is set that way or if the problem is their mentality. But I feel that the system is set that way. You have to be strong. If you live in a certain area, you just have to live with tribulation.

Researcher: What do you mean? What kinds of tribulation?

Interviewee: The violence, the police. The system is set that way because anywhere where you see 99 per cent poor people, there is war and thieving. And you have to know how to keep yourself out of that. The system is not putting out any work. And remember that a hungry man is an angry man. A lot of young people are just stealing. They can get money for a time, but how long can that last?

Researcher: Are you worried about your safety?

Interviewee: I am not worried about the robbing. I am worried about reaching home safely. The way that they are killing now is they are dividing up the streets based on gang turf. But the taxis still go through these streets. So, if your street and another street are at war, they can take you out of the taxi and kill you. That is what I am worried about! There was a young guy from my area who was killed that way. He used to travel to Crossroads to see his mother. They probably stopped him and asked him where he was from. You die for nothing. Another man went to buy lotto tickets recently and he was killed. Three people died. One woman got a heart attack because of the crossfire. Even when you are not involved in things, things will still reach you based on how the society is set. Streets and streets are at war.

In addition to worrying about their physical safety, inner city interviewees often described having their livelihoods disrupted by violence. 34-year-old Banton moved to Montego Bay after completing a certification programme in tourism hospitality. While working as a groundskeeper for a hotel, he discovered that he could make easy money supplying cocaine to tourists:

To be honest, I started to follow some friends. Anything the tourists wanted, we would get it for them. So, a tourist might want a five-ball of coke to smoke and you know it is being sold across the street for 100 dollars. So, you buy it for 100 Jamaican dollars

and sell it to them for 100 U.S. [dollars]. And you would see people who started working after you buy a car and start driving to work because they are selling coke, they are selling weed, a lot of illegal things.

However, Banton never felt at ease with these activities and became disillusioned with the lifestyle after adopting the Rastafari faith:

I was selling coke [...]. But then I started to become a Rasta. I stopped eating meat. I stopped eating fish. I started eating out of a calabash and stopped drinking tap water. I stopped smoking and drinking. I took it strict. And it slowly drew me out of the hotel because certain things you were exposed to was not the Rasta way. Because it was a couple's hotel. You would go on the beach and see a husband and a wife in the nude. I put in my resignation. [...] I was selling coke, but I wouldn't swallow coke. I was cooking for scam artists, but I wouldn't scam. So, sometimes, I looked at my life and cried.

After leaving his job at the hotel, he worked as a security guard checking bags at a tourist attraction for 5 USD an hour. As he described it, things were beginning to look up for him: he loved his new job and the idea of making an honest living. However, Banton soon found himself having to flee Montego Bay as the city became embroiled in more violence:

And the area got very violent. People would be in the street waiting for a taxi to get to work and get killed. You didn't have to be involved! The killers just wanted to know that they would make the community [where rival gang members reside] cry. Anybody they see, they would kill! So, people around me started dying. But the people who were involved in the war were hiding out, so they would hardly be the ones dying. Someone in my community killed a gang leader from another community. And the place got really wicked. Sometimes 20 men would invade the community. Young people 9 and 10 years old would get killed, straight up to the 80-year-old. One morning, I just packed a little bag and left. All I took were two pairs of jeans and a CD player.

Like Banton, several non-elite interviewees were worried that the country's youth, in particular, were being pulled into violent activity. They frequently attributed this to social marginalization and a lack of opportunities. Johnson, a 68-year-old farmer, voiced concern about the involvement of teenagers in the spate of murders islandwide:

The wealthy man makes the law to save his business and his money. He has to have security and police and soldiers. Because people have been watching him. And he

doesn't want people to kill him for nothing. Just a little boy involved in killings, I've seen that! People who are 15 [years old], sometimes 20. They are never older than 26.

Snagga also felt that young people turned to violence because they had no other occupation:

The children now who are growing up, the only things they have to do is smoke marijuana and drink rum and Campari. It is not even the older man today who is drinking rum. It is mostly the younger people. They smoke ganja. They smoke grabba [a joint made with tobacco and cannabis]. I was shocked to see how many of these young people were smoking ganja. A lot of these young people have guns, so they will kill people. They don't have any jobs. They're the ones who will kill people. [...] When was the last time you heard of a 40-year-old killing somebody? It is the 16-year-old youth who are killing people. They come back to the community, drink some rum and announce "I just made a *duppy* [ghost]!"

In fact, 56-year-old Snagga admitted that he too was involved in violence as a youth. However, he explained that he had renounced 'badness' after experiencing too many murders in the inner city. His brother had died after being beaten in the head with a chain after an argument. Part of Snagga's income also dried up after his friend, who found him jobs on construction sites, was murdered. This friend was killed by a teen whose mother had been continually abused by the friend. As revenge for the killing, Snagga recounted, the victim's family would later kill the teen.¹¹¹

¹¹¹ Snagga recounts the details of how his friend and his teen assassin were both gunned down: "*I started working at a construction site and started hanging around with bad guys. That put me in a lot of trouble. My sisters and my brother had to talk to me. A lot of my friends have died or become wanted. I've never worked on a construction site for a year. I'm usually there for 2 or 3 months. I didn't stay because of badness. When we are on the site, we have to get jobs because we are bad. Somebody used to give me jobs on construction sites as soon as he got jobs, but he was bad. Somebody shot him on a roof and he died. He used to beat the young guy's mother. They weren't together but he would beat the girl. One day, the son decided he was going to kill him. He went on the roof to fix the cable and when he was coming down, the guy shot him. And the guy had to run away because people wanted to destroy his family. They had to leave their house. They eventually found the boy and brought him to the hills and killed him. They paid one of his friends 50 000 dollars to find him. And the friend told him they were going to a party uptown. And that is how they carried him to kill him. I was upset with the situation because he did not deserve to die that way. But the man who he killed also did not deserve to die that way. He was my friend. He would give me a lot of job opportunities on construction sites. The father worked really hard to build the house. And the father and the sister had to run from the house. They destroyed the house; they destroyed all the furniture.*"

Police as 'Crime-Makers'

As other interviewees living in Kingston's inner cities expressed, the state failed to deal with the issues of crime and violence, in part, because of police corruption. Snagga, for instance, felt that murders had shot up recently because the police had now successfully wrestled control of construction sites from gangsters. Before, gangsters like Snagga's deceased friend were able to intimidate builders to provide them with work, using threats of having their site material stolen and destroyed at night. But the police soon also had the idea to make money by offering site owners paid protection from these gangsters. While this gave the contractors a measure of security, it pushed these gangsters to turn to more violent ways of making money. In the absence of adequate job opportunities for inner city youth, Snagga repeatedly exclaimed that "crime has to happen!" He continued, "If the poor man cannot work, then crime will have to happen. Today, 1,600 people are dying from gunshots because money isn't happening. So, people have to use guns and fight each other."¹¹²

But Snagga also alleged that police were among the "crime-makers" in the country. He charged that they too were involved in extortion rackets. What is more, he believed that the cops were well aware of the whereabouts of certain criminals but

¹¹² In this excerpt, Snagga describes the intimidation tactics employed by his friend and the police successfully vying for control of the construction site. He also explains that the lack of construction work has fueled a recent spike in crime: "My brethren would go and say, 'I run the area. I have masons and we need work! And he brings his crew on the job.' If they refuse, they cannot stay there. They will have to bring police if they refuse. They cannot continue to do the construction because all of the site material would be stolen at night. Nowadays, the police get all of the money and that is why so much crime is happening. Before, persons would go on construction sites and they would share jobs with their friends. And so, people are making money. But today, the police are the ones who control the construction sites. So, people aren't making money. So that is why crime is so high. Because the young people are killing people. Because they cannot find jobs on these sites. Crime has to happen. If the poor man cannot work, then crime will have to happen. Today, 1600 people are dying from gunshots because money isn't happening. So, people have to use guns and fight each other."

failed to act because they were in the pay of certain *dons*, the colloquial term for crime bosses who control inner city communities.

The police want extortion money from people. And people are not willing to give it to them. The police are the wrong-doers in the country. The police know every wanted person in the country. I'm a black man. It is not the white men who are the police in the country. I'm a black man, and the police know where I live. [...] The police will even give gunmen their guns to do crimes. They will give guns to wanted men to kill people. They are the crime-makers! Recently, in Tivoli and Denham Town [two inner city communities in western Kingston], the people told the police that people were being killed! And the police ignored them. They are bought. The *dons* with money give the police money. Because if I am a *don*, I will give the police money. And they will kill other people, but they will not kill me.

Political-Criminal Nexus

As one interviewee after another described the prevalence of gunplay in the inner cities, their stories started to beg the question: how were so many young people who struggled to find jobs and only earned about 12 USD a day able to afford guns? In response, interviewees pointed to politicians and the police as two of the major sources of illegal guns on the island. Poochie explained the collusion between gangsters, politicians, and the security forces.

The biggest problem in Jamaica is the crime. That needs to stop! Babies are dying. Mothers are dying. The police are the bodyguards for the politicians, and they know who the bad people are. The politicians and police, they know who the gangsters are. [...] They brought [a state of emergency] to Montego Bay and people are still dying, even inside the church. So, what is the difference? The police and the soldiers are working with the gangsters. I'm not asking you! The police are the ones doing the crime and working with the bad people. Because they want money. If you have your business place, they will take it and give it to the gangsters to sell. The world is not right. The police are in league with it too.

Marva, a 41-year-old janitor and mother of six, expressed similar views. Her parents had fled her childhood home due to violence, only for her to witness her adopted community afflicted by the same problem as an adult. I had asked Marva about Jamaica's tax burden, but she soon began reflecting on the crime problem. After expressing her suspicions that tax revenues were going to fund criminality, she

explained that politicians in her area had known connections to notorious gangsters. According to Marva, politicians are “the worst criminals you can think of” because they supply guns to certain supporters who provide protection and murder at their behest:

Researcher: Do you feel taxes go to good use?

Interviewee: No. It goes to the government and their jailbirds who are killing people.

Researcher: When you say jailbirds, what do you mean?

Interviewee: The young guys who are killing off people. When you pay your tax, they are the same ones who get it. So, I don't feel like people should pay tax.

Researcher: So, you are saying the politicians give them money?

Interviewee: Yes. And they put money in their pockets too.

Researcher: So, you believe the politicians are working with the people killing people?

Interviewee: Of course!

Researcher: How?

Interviewee [in a tone of frustration]: Listen to me, man! Politicians are the worst criminals you can ever think of! You hear me tell you?! So, when you hear them come on TV and talk about crime-this and crime-that, they are the same ones who give the young people guns.

Researcher: Why would they do that?

Interviewee: I do not know if you remember Andrew Pang from Grants Pen. The politicians were the ones who gave guns to him and his crew. I know that for a fact! And if the police ever came and took a gun from them, by later in the day, they would get back their gun. Politicians are the worst criminals you can think of!

Researcher: Why are they giving them guns?

Interviewee: Because they are *dons*! They guard their head back [i.e. provide protection]. Say, for instance, if they want a man to die, they will give them some money and they'll be dead by later. It's real talk!

Researcher: How do you find the police in the community?

Interviewee: They are the same shit. They are not different. Say, for instance, the police are looking for a man. And you say, “I know where John Tom is.” Shortly after, your entire family will get killed. The same police officer will go back and say who told them.

Researcher: How widespread is it?

Interviewee: It is rampant. They say they are putting you on witness protection and they are the same ones who tell the bad guys where you are. I don't trust even my own shadow. The politicians bring in the guns through the wharves. When you hear them say they found a shipment of guns, a bigger shipment went through. We both know that! Crime is not going to stop. Crime will never stop no matter what they do. Never! Jamaica is going to the dogs. Right now, if I could get a visa, I'd run off and not come back.

Marva's account was hardly unique. 19-year-old Nicole also corroborated Marva's claim of a nexus between politicians and violent criminals. As a child, she had witnessed politicians consort with gangsters in her community. She claimed that these gangsters, who earned money extorting local shops and taxi operators,¹¹³ would hand over a portion of their ill-gotten loot to certain politicians in exchange for protection from the law.

Researcher: When you say politicians create problems, what kind of problems do they create?

Interviewee: One would be the gangs in the communities. Some of them work with gang members behind closed doors. Gang members will tell you that they are being controlled by politicians.

Researcher: Can you think of examples of that?

Interviewee: Yes, in Seaview Gardens. I was a child at that time. The gang members in a community were communicating with the MP [member of parliament] to create more funds, to work more money. So, he gets some and the gang members get some for themselves. So, they are working together. The gangs collect extortion money. The gangsters would collect extortion money. The MPs [Members of Parliament] would support them and protect them, and collect some of the money.

I also asked Snagga how poor inner-city youth accessed guns. As he responded, his tone became incredulous, as if annoyed that he needed to explain the obvious. "What do you mean?," he shot back, "It's the politicians who give us the guns! Can we afford a gun? No, we can't afford a gun. It is 200 000 [Jamaican] dollars for a

¹¹³ I also interviewed Howard, a taxi operator who described being regularly extorted while driving through inner city areas: "If you got through certain areas, 'garrison areas', you have to pay money to extortionists to make sure that you can go back through that area or that you are safe."

gun. I cannot afford 200 000 dollars!” According to Snagga, politicians were motivated to arm gangsters in an effort to secure electoral and social control over poor communities.

They are giving us guns because they don't want one area to take over and control another area. Guns have to come in because politicians want to control an area. And if they don't give you guns, a different person will come and take away that area. So, they give guns. I could not buy a gun. How did I get a gun? The politicians had to give me a gun to defend myself. That is what is going on in the country!

Snagga later pointed to an example of Tivoli Gardens—an inner city community in western Kingston known for its strong support of the governing JLP—where he claimed that police had been unable to seize any guns because politicians would forewarn gangsters about impending raids. Like Marva, he doubted that things would ever change in depressed urban areas dominated by political enforcers, known colloquially as *garrisons*, as residents feared being killed if they denounced these politicians.

Recently, they went into Tivoli. And there are still a lot of guns in Tivoli. It cannot get cleaned up because they want to be in power for all the days of their lives! If you are in power, would you allow the other party to come and kill off people in your area? No! Those things will never change. Where can change be made? You cannot make changes. *Garrison* people cannot change! There are a whole lot of *garrisons* and the *garrison* thing cannot change. Every day the police go in, they cannot find anything. The politicians will tell them that the police are coming in, so get rid of the guns. And they will get rid of the guns. The police might find one or two guns. But the number of guns in the *garrisons*, it is like rice grains. They will never be able to find them. The politicians give it to people and say, “Defend the thing!” When voting day comes, they control the area. And they get a little money in their pocket. So, nobody talks. Nobody talks! If I am in the ghetto and I see politicians bring in guns and I talk, I will die because I'm an *informa* [colloquialism for a snitch]. So, even when I see it, I have to hold my tongue.

As incredulous as these charges may appear, social scientists have done extensive work on the phenomenon of ‘garrison politics’ (Figueroa and Sives 2002). *Garrison* politics emerges from the practice of rival political parties arming inner city gangs who serve as their political enforcers. Indeed, Jamaica has been plagued by

garrison politics since the 1970s, and perhaps as early as the 1930s. Lenny, a 63-year-old janitor, recalled being an active member of the PNP in the 1970s when Cold War tensions between the democratic socialist PNP government, supported by the Cuban regime, and the CIA-backed JLP turned into street violence. Back then, Lenny was one of dozens of young Jamaican men (referred to as *brigadistas*) who were sent to Cuba by the PNP government where he learnt masonry. He recalled that some of his friends who had become political enforcers were later killed by police on the instructions of the very party they supported.¹¹⁴ However, while the Cold War helped incubate *garrison* politics, the violence it engendered among feuding gangs in Jamaica's inner cities remained well after the geo-political tensions ended. Describing the longstanding rivalry between politically-aligned gangs, P.J. Patterson, who served as Prime Minister for 18 years, aptly described local politics as "a fight for scarce benefits and spoils carried on by hostile tribes that seem to be perpetually at war" (Higgins 2020).

Political Predation

This encouragement violence among the urban poor in pursuit of political ends is part of the broader practice of social predation by the haves over the have-nots I described above. In fact, interviewees were especially vocal about the predatory practices they experienced at the hands of politicians. They recounted that politicians frequently relied on giving handouts to those in desperate economic circumstances as a means of cultivating dependence and exerting control. Like Donovan, many

¹¹⁴ According to Lenny, "*Michael Manley [PNP leader and Prime Minister during the 1970s] sent some of us to Cuba and we learnt a skill. I went and I learnt masonry. They called us [who went to Cuba] brigadistas. And that is a skill I learnt so I can build my own house. I had friends who were shooting guns for a political party and the same political party sent police to kill him. A lot of these people have died and gone. When I went to vote back then, I saw that the mark was already on the paper for me. So, I didn't bother to go vote again.*"

interviewees wished that politicians focussed instead on providing long-term job opportunities.

I don't really look forward to any handout from politicians. I just want the country to get better. I don't want you to give me 10 000 dollars or a two-day work and for the rest of the time, I have nothing. If you have a permanent job to give me, I want a permanent job. If you can make the country better, I want that. But that is not what they [politicians] do. What they mostly do is give you one-day or two-day jobs or handouts. Some people get good work out of it. But it is not the majority. Perhaps due to closer *links*. Jobs are just not easy to get.

Marva also felt that politicians often sought to manipulate the poor through political spoils. She found a sad irony in politicians' seeming willingness to give "all sorts of things" at election time and their failure to deliver financial assistance in times of true need. As an example of this, Marva told the heartrending story of a deceased family of six from her community. The family had succumbed to flooding after their shanty fell into a gully during heavy rains. Like many areas of Jamaica's blighted inner cities, Marva's neighbourhood emerged as dozens of landless individuals erected homes made from zinc and plyboard on the banks of man-made gullies. Prior to the incident, members of the community had pleaded unsuccessfully with local representatives to assist with building material to reinforce the victims' home. She saw the incident as proof that the poor could not rely on politicians for effective and compassionate representation:

Like I said before, Jamaica is destroyed. The rich only look out for the rich. And the poor are getting poorer. If the youth see the politicians and beg them a job, it's pure promises. But at election time, you get all sorts of things. You get even what you don't want. Where I live, a girl and her children got washed away [in a flood]. Everyone died. And, for a long time, she was begging them for some cement. And when she died, that's when everyone came. She, her babies' father, and her children died when a storm came. The house fell right into the gully. Everyone died! A family of six! And they never found her daughter's body. Politicians aren't doing anything to help anyone. We have to help ourselves. We can't afford to sit down and say we're waiting on politicians.

Cynical realism

While policy elites pushed for the government to become facilitators of capital, non-elites doubted that Jamaica's corrupted political class would facilitate opportunities for their success. Instead, in one interview after another, non-elites reflected a kind of 'cynical realism' when discussing their own social and class position within Jamaica's wider political economy. This attitude was typified by Miss Bev's response to my question about whether she felt optimistic about Jamaica's future. After chuckling at the question, she simply said, "No, I think this is it!" She continued in a somber tone, "[...] in order to survive, you have to be self-sufficient and have a strong determination and focus. I don't see it making a difference, even if we change the government. Nothing new. Same old, same old." Asked about actions the government could take to improve her economic situation, Simone displayed a similar sense of apathy:

The only people who make money are the big CEOs. The government only cares about people who are in their circle and their Cabinet. I don't want it to seem too bad when I say this, but I don't care in relation to the government. If I have to pay something like taxes, I just pay and that is it. I don't question it because I won't ever get an answer. I just live my life, make sure I can pay my bills, eat my food, and that is it. The rich still pay taxes, but they find ways of getting it back out. When it comes to the government, I don't listen. They don't know that I'm alive. They're not looking at me, so I don't pay any attention to them either.

And while policy elites primarily viewed Jamaica's development challenges in ahistorical and technical terms, non-elites were willing to situate these challenges in terms of the country's legacy of slavery and colonialism. 23-year old Dane—who informed me that both he and his partner had been diagnosed with schizophrenia—worried that social oppression had contributed to the prevalence of mental disorders in the country. He also felt that Jamaica's social problems were the predictable legacy of colonialism:

Sometimes, I think about Vision 2030 [the government's social and economic development plan]. It is not achievable. I am just hoping that my generation can achieve some kind of financial freedom before mental disabilities reach all of us. We're just dying off in this country. Because when we got independence, we did not know what we were doing. And the colonial masters made sure of it. In history class, I learnt about the various forms of government we had before full independence. And they always made sure we have a representative of the Queen in place. Why do we have one still? That expense could send a bunch of people to school. Because obviously there is a salary [for the Queen's representative]. I don't know what needs to happen, if that whole generation of leaders just needs to die off or something. And Jamaica is just taking its own time when the rest of the world is progressing. So, while you have life, you have to try to be positive, try to work for yourself as much as possible. And remember that health is the greatest love, not money.

For Raheem, Jamaica's poor endured a kind of "constant disempowerment."

This disempowerment, he felt, was so historically-embedded in the social order as to appear like a conspiracy. Jamaica's post-colonial order, he felt, had fashioned a society not dissimilar from that of the days of slavery where a few elites enjoy wealth and privilege while the masses remain "dirt poor":

I don't want to sound too conspiratorial, but I think it [disempowerment of the poor] is coming from a far way. I think it is coming from deep post-slavery effects. It's not about you being better, it is about upholding a social order where some people are dirt poor so that those at the top can feel good about themselves.

By describing these attitudes as 'cynical realism,' I do not mean to suggest that non-elites are resigned to their lot, or deny their individual agency. Indeed, interviewees often underscored the need to practice a kind of gritty self-preservation in the face of life's hardships. For instance, I had hardly begun asking Raheem what he felt the government could do to empower the poor when he retorted, "No, there is no empowerment here! You have to find your own power." For Raheem, Jamaicans needed to cultivate a strong sense of self-reliance to achieve a measure of economic security:

Researcher: How do you feel that the government can empower...?

Interviewee: There is no empowerment here! You have to find your own power. You have to do it for yourself. Self-reliance is the highest science! I don't think Jamaican

people are trained to depend on politicians like that. Only during elections do they solicit votes. They pass money around to solicit votes. But to be empowered, you have to find your own way. You have to sell on the bus or hustle or something.

What I do mean to suggest by 'cynical realism' is that the social outlook of non-elites has been hardened, in large part, by the need to navigate forms of social predation. Elites not only fail to address social predation encountered by the poor, but they are also frequently the source of predatory practices. Unsurprisingly, this predation undermines the legitimacy of state actors and fosters political apathy. Reflecting on whether he trusted political representatives to advance his interests, Raheem quipped, "In Jamaica, we have a lot of politicians, but we don't have a lot of leaders":

I don't trust these politicians. In Jamaica, we have a lot of politicians, but we don't have a lot of leaders. But I am not looking to them for my future to be optimised. I have to look at myself! I realise that to depend on them for a better Jamaica or a better future, I don't see that. I am depending on myself. I have no faith in them. I can't say: Okay, I feel like in the next ten years things will be better. I have to think: I have to make the next ten years better for myself and for my children.

In some cases, interviewees concluded that the failures of elites called for a radical re-ordering of the political system. 26-year-old Cassandra, for example, felt that Jamaica's two-party governance system lacked the capacity to address social needs and had become obsolete:

I don't think I could achieve my dreams or goals through anything having to do with the government. I feel like our government in this modern day is obsolete. This partisan politics is not working at all. It is just causing more bloodshed and driving the rift further.

Also decrying partisanship, Poochie felt that fundamental change would be elusive until ordinary Jamaicans "lock down the country and say we are not going to vote for these parties":

I'm not really into politics. It is always the same thing. Every cycle, the same propaganda. I am not into it! I don't see the sense. I think we should try something new. We should lock down the country and say we are not going to vote for any of these parties. We need real change.

Perhaps the most sobering expression of this cynical realism came from Snagga, who felt convinced that the wealthy in Jamaican society needed crime to occur to preserve their privilege. Claiming that rich people own the churches and funeral parlours that bury the murdered, he firmly believed they had no interest in changing a social order in which they found economic success:

The system is set that way. Poor people are born to be to sufferers and to kill people. A lot of people are trying. But the rich people have their funeral parlours and their burial grounds and their church. And if nobody is dying, they will come on TV and say that they are facing hard times. They don't care. Because they are collecting. How much is it to bury people? They are glad for those things! We, the poor people, pay them. If nobody dies, rich people will come on TV and say times are hard. So, crime has to happen! Because it is what pays rich people. Crime is rich people! If no crime happens for six months, they will vote out this Prime Minister. In the ghetto, we sit, and we think about these things. The more crime happens, the rich people are glad for it. They do not want it to stop. They have funeral parlours. They have the church. If nobody dies, then they have to lay off people. If ghetto people are not burying people on Sundays, rich people will die of hunger.

Summary

Political economists have an intellectual vocation to move beyond a technocratic reading of the economy, re-embedding it within social and political relations that constitute it in the first instance. In this chapter, I have sought to elucidate some of the political-economic effects of capital-friendly governance by giving voice to the ordinary Jamaicans who are most impacted by austerity. While these interviewees were not always familiar with the details of the EFF programme, they expressed the conviction that political officials, state institutions, business leaders and multilaterals do not represent their interests in economic affairs. Interviewees consistently assessed the state of the economy, not in relation to improvements in accounting metrics (GDP, fiscal balance, inflation, etc.), but in terms of the amelioration of social and economic conditions experienced by the masses. In fact, despite elites' claims

that the EFF reform process received widespread popular support, the non-elites I interviewed largely repudiated austerity policies. Because non-elites did not separate the economy from social and political life, they also tended to conceive of a much broader role for the state in regulating socioeconomic outcomes. Consequently, non-elites closely associated government legitimacy with the delivery of public services and the government's ability to directly create jobs where markets failed to do so.

While interviewees recounted stories of politicians offering pork-barrel jobs to partisans, they did not view this as a form of economic empowerment. Rather, they described Jamaica's political class as oppressive and self-serving, often responsible for the very problems they purport to solve. Thus, even as elites pushed for the depoliticization of the economic sphere (by advancing private sector oversight of post-recession economic governance), non-elites continued to experience a kind of hyper-politicization of their social sphere. However, rather than affording for collective political action and empowerment, this politics takes a predatory form that permits the use of violence and patronage to control marginalized communities. I conclude from these interviews that the elite-led reform process does not reflect the material concerns and aspirations of ordinary Jamaicans. I also find that, while austerity policies help foster the confidence of the international capital market, they contain the potential to undermine domestic political legitimacy and breed social apathy among the poor.

CONCLUSION

I have argued in this dissertation that the need to preserve market confidence imposes itself as an imperative on contemporary states, particularly those in the developing world. This is because, in the context of global financial deregulation, countries that fail to adopt market-friendly policies risk disinvestment and capital flight, outcomes that exacerbate fiscal challenges and increase the potential for economic collapse. Where governments lose the confidence of capital markets, they also find themselves unable to finance budget priorities and meet existing debt obligations. In these circumstances, governments must increase their revenue intake by raising the tax burden. However, because greater taxes on the business sector also undermine market confidence, these taxes are invariably shouldered primarily by workers and the poor. Moreover, in moments of fiscal crisis, market actors are likely to find themselves with unprecedented leverage *vis-à-vis* state actors and other social sectors. As I have shown in Jamaica's case, market actors may well parlay this leverage into pushing for greater policymaking and oversight mechanisms that effectively entrench capitalist interests at the core of economic governance. Governments may also seek to engage multilateral lenders where a loss of confidence leads to them being shut out of capital markets. Yet, the primary goal of their intervention is not to provide states with an alternative funding mechanism that frees them from the imperatives of the market economy. Rather, multilaterals provide limited short-term funding as a stopgap, while states pursue austerity reforms that reestablish market confidence.

In principle, the liberalization of capital markets intends to benefit developing countries by removing restrictions on capital flows, making it cheaper for states to attract financing and investment. In practice, however, this liberalization has produced perverse effects that undermine capitalist development. Not only has liberalization

heightened the potential for fiscal and financial crises stemming from rapid shifts in capital flows, but it has also led to a growing sovereign debt bubble. Institutions like the IMF have rightly begun to sound the alarm (International Monetary Fund 2019b). Yet this bubble is likely to get worse in the near future. At the time of writing this manuscript, the world economy suffers from a global coronavirus pandemic that has already claimed over a million souls and wiped trillion USD from the global economy. South Africa and Argentina have already signaled their inability to meet debt obligations by approaching the IMF for relief (Campos, Raszewski, and Bronstein 2020; International Monetary Fund 2020b). Indeed, financial observers are likely to witness an unprecedented wave of sovereign debt defaults in the coming years. Going forward, governments are also likely face strong popular demands for greater social protections and equally vociferous calls for restraint from fiscally conservative market actors.

What, then, should governments and multilaterals do to redress these issues? First, it is important to acknowledge that the prioritization of market imperatives *uber alles* is a doctrinaire and dangerous position. Governments like Jamaica's must commit to a robust programme of social and capital spending to stimulate the economy and address stubborn social ills. This commitment should be founded in the recognition that public investments in social security, human capital, infrastructure, and technological research do attract to capital in the long run. Of course, the challenge is that significant increases in public expenditure in the context of lackluster growth threatens market confidence in the immediate term. To address this, multilateral institutions need to rethink their mandate. Rather than serving as a stopgap for countries that cannot borrow cheaply in the private market, they must commit to providing continual funding on concessionary terms to countries that need it.

Importantly, these funding facilities should also be available outside of moments of crisis when governments can dedicate them to carefully crafted policies and programmes. Such facilities should also be made available on the basis of broadly defined social and economic development criteria; and judged feasible where they have demonstrable long-term gains. This would begin to re-embed public finance in social and material experiences of citizens. Admittedly, such an orientation would bring the Fund closer to the role of development bank rather than a 'monetary fund' (although I do not mean to suggest abandoning the latter role). But it is a necessary step towards the provision of permanent, greatly expanded funding mechanism outside of the private market. Indeed, for development to truly take place, capital financing for poor countries should be viewed as a public good—and, therefore, not subject to the laws of supply and demand—much like roads and bridges are. This would liberate states from the need to pursue policies driven by the diktats of the market.

Policy elites should also push for fundamental changes to the structure of global finance. These changes should focus on the stability and harmony of the overall international system in the post-Bretton Woods context of frequent transborder capital flows and floating exchange rates. The potential for financial and fiscal instability can be greatly lessened by implementing at least two policies that I believe are within the realm of the politically-achievable. First, there is a need to implement a Tobin tax. Named for the economist who first proposed the idea, a Tobin tax is a tax on large foreign exchange conversions meant to deter short-term speculation. Since financial crises in developing countries frequently originate with speculative currency attacks and often drain central bank reserves, this tax could go a far way in helping prevent expensive stabilization programmes. A second proposal comes from political

economist Robert Wade (2006). Wade has proposed the establishment of a global currency unit to replace the U.S. dollar as the international reserve currency. Such a currency would have its value pegged to the inflation-adjusted GDP of major economies. Governments and firms would then issue bonds denominated in this currency which could be held in reserve by central banks. The advantage of such a currency is that state and market actors could make transborder transactions in their own currency, with payments settled inside an international clearing union using the global currency as the conversion unit. Payments would, therefore, not require buying and selling the U.S. dollar and exchange rates would likely to become much more stable.

As Wade notes, the major obstacle to such a proposal is that it would likely not be supported by the United States since it would undermine the hegemon's dominance in the international system. Still there are indications of a growing consensus on the need to fundamentally alter the global financial order in the wake of the coronavirus pandemic. Kristalina Georgieva, the newly appointed IMF Managing Director, has gone on record calling for a "a new Bretton Woods moment" in a recent speech. While she has not given specifics, the Fund's head urged states to "continue support for workers and businesses," while praising the 12 trillion USD in fiscal stimulus that governments have already spent and encouraging them to avail themselves of the Fund's 1 trillion USD lending capacity (Georgieva 2020). In addition, she suggests abandoning a one-size-fits-all approach to fiscal adjust in favour of policies tailored to individual country needs as well as promoting greater coordination among creditors for debt relief. She has also insisted that "policies must be for the people," by which she means states must do more to protect the vulnerable and invest more in human and physical capital to underpin growth and resilience. It may also be instructive that

Georgieva—who recently warned the United Kingdom government that “Now isn't the time to balance the books”—twice invoked Keynes' vision for international economic cooperation not White's. While it remains to be seen, these pronouncements may well signal a shift in the IMF's stance away from fiscal austerity and monetary orthodoxy. What is certain, however, is that the tensions between market diktats and rising social demands are likely to become especially acute in the years to come. If not managed properly, this antagonism can lead to devastating social consequences. As Polanyi has reminded us, the last time markets found themselves almost completely disembedded from social priorities, the European continent found itself in the throes of fascism.

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