

Remarks By PSOJ President Joseph M. Matalon

PSOJ Chairman's Club Breakfast August 11 2009

Much has been said and written over the last several days and weeks about Jamaica's prospective agreement with the International Monetary Fund, and most recently about last week's rating action by Standard & Poors. It may surprise you then, that in making my remarks at this morning's breakfast, I intend, important as they may be, to leave those particular topics alone. Instead I would propose to speak to certain fundamental and long-standing economic issues, in the wider context of which any particular IMF agreement, or any S&P rating actions for that matter, are merely sideshows.

It has become trite commentary to say that Jamaica's economy is at a crossroads. The truth is that we have passed through a series of crossroads along the road to our current circumstances, each of which has presented certain choices in terms of policy direction; choices that we ourselves as a people have made.

- We made a choice to perpetuate the underlying disequilibrium in our current account balances, to the extent that building foreign exchange earnings and promoting export led growth became unfashionable notions; facilitated by the growth in remittances and foreign direct investment that served only to mask our chronic underlying underperformance;
- During the unprecedented international credit boom, in which the current global financial crisis has its roots, we made the choice to avoid those hard policy decisions necessary to curb our chronic fiscal deficits, facilitated by easy access to the international capital markets;

- We made the choice to eschew comprehensive Tax Reform in favour of ad-hoc policy tinkering and uneven enforcement practices;
- We have repeatedly made the choice to prefer cheap, very often heavily subsidized, imported foodstuffs to the more difficult course of preserving and building upon our agricultural and manufacturing bases by pursuing economic policies designed to enhance the productivity and competitiveness of our local productive sectors.

The consequences of these choices, exacerbated by the effects of the current global economic downturn, now stand in stark relief for us all to see. But make no mistake ladies and gentlemen: long before the collapse of Lehman Brothers in September 2008, the cumulative effect of these past policy choices have been propelling us inexorably towards our very own home-grown economic crisis.

- A crisis of declining productivity and competitiveness;
- The crisis of a national debt service requirement that consumes an ever-increasing proportion of government revenues, to the detriment of those investments in the areas of the social services and infrastructure provision, the lack of which will in the future constrain the economy's capacity for sustained and accelerated growth.
- The crisis of a burgeoning national debt that has served to stifle private initiative by limiting the private sector's access to credit while simultaneously bidding up the price of what little credit remains in the system after satisfying government's own requirements; and in turn reducing the incentives for productive and employment-creating investment activity.

And so where do we go from here? Will we now finally make the difficult decisions so often avoided in the past?

The good news ladies and gentlemen, is that I have every faith in the ability of Jamaicans to set our own house in order. None should believe that the job will be easy, or that it is the responsibility of Government alone. Indeed I would venture to say that unless all stakeholders: Government, Opposition, Private Sector, and the Labour Movement, can find the courage to hold hands and build consensus around those key changes in policy that will put us on a different course, then this will have been “just another crossroads” in the journey along the path to economic and social stagnation that Jamaica has travelled, with only brief digressions, since independence.

Prime Minister, those of us in this room know only too well, on our own far narrower canvas than yours, the heavy burden imposed by positions of leadership. As we look to you and your government for leadership, for the courage to move decisively in an altogether different direction, we offer our hand in partnership. I must stress that this offer of partnership is not one of words, but rather one given to deeds, as we are all too aware of the many occasions when, as a nation, we have talked more than done. In this crisis, bold action must be our clarion call and we stand ready to provide concrete and meaningful support to this end. We are firm in the belief that as proud Jamaicans we have the capacity to create a future that will finally fulfill the hopes and dreams of the founding fathers of this young country.

In closing, I would like to leave you with a timeless quotation from Shakespeare, that I believe is most apropos, and which I commend to our Government, our loyal Opposition, our Private and Public sectors, our labour Union Movement, and indeed to every individual who counts himself or herself a committed Jamaican. That quotation goes as follows:

**“There is a tide in the affairs of men
Which, taken at the flood, leads on to fortune;
Omitted, all the voyage of their life
Is bound in shallows and in miseries.
On such a full sea are we now afloat,
And we must take the current when it serves,
Or lose our ventures.”**