Caribbean Dependency Theory and the Case of Jamaican Development

La théorie de la dépendance dans les Caraïbes et le cas du développement en Jamaïque

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Abstract: At the 50th year of Jamaican Independence, it is necessary to review the history of the state and question whether it and other Caribbean nations have truly achieved freedom since the time of colonization. Through an economic and socio-political analysis of the Caribbean Dependency Theory, it becomes obvious that the ‘freedom’ of the Jamaican people, and of the Caribbean region in general, has been a myth propagated by the dominant metropole states to sustain the economic domination put in place under the colonial powers. This domination has come to define and determine the future of the Caribbean hinterland states, which have found their economic systems trapped in a cycle of debt, accompanied by a decline in standards of living, Gross Domestic Product and savings.

Résumé: Alors qu’on fête le cinquantième de l’indépendance jamaïcaine, nous nous devons de revoir l’histoire de cet État et de nous demander si la Jamaïque et les autres nations des Caraïbes ont réellement réalisé leur indépendance depuis la colonisation. Une analyse économique et socio-politique telle qu’offerte par la théorie de la dépendance dans les Caraïbes nous permettra de démontrer comment cette ‘liberté’ du peuple jamaïcain et de région des Caraïbes en général constitue un mythe utilisé par les États métropolitains dominants afin de maintenir les rapports de force économiques mis en place par les pouvoirs coloniaux. Cette forme de domination définit et détermine l’avenir des pays moins nantis des Caraïbes pour qui le système économique les emprisonne dans un cycle vicieux d’endettement et de déclin progressif des conditions de vie, du produit domestique brut et de l’épargne.
With the emergence of ‘independent’ states in the Caribbean throughout the late 1900s, a change in the economic relations of hinterland and metropole states was expected. ‘Freedom’ meant the beginning of self-determination throughout the Caribbean. However, in reality, this did not occur. With decolonization came the ‘concern’ for the development of so called Third World states; those whose social, political, and economic structures were subjected to the domination of the advanced capitalist countries of the West and whose internal institutions continued reliance on international capital perpetuate the metropole-hinterland relationship.¹

Though at the time of the Bretton Woods convention in 1944, the Caribbean states were still under the control of their respective imperial powers and thus had no position at the bargaining table, the system developed therein came to define and constrain them after decolonization. Though assistance was offered to these ‘developing’ states in the form of loans, grants and aid, it could not and cannot bring about development as that requires internal welfare-improving policies, designed to be hinterland-centric with the real goal of ending the dependent metropolitan-hinterland relationship and of truly emancipating these oppressed states from the system of domination. This emancipatory perspective was developed within the Caribbean states as a protest against both the economic metropole-hinterland relationship and the dominance in the discourse of core-centric understandings of development and argues for the necessity of a more inclusive understanding of the impact of development from the perspectives of developed countries.

Caribbean Dependency Theory (CDT) emerged at the University of the West Indies in the 1960s and became particularly influential as a critical analytical response to evolving neoliberal policies in the 1970s. CDT was directed at terminating the external controls over development imposed by institutions whose primary purpose was the enforcement of neocolonial structures.² Closely associated with the rise of ideological and political radicalization in the Anglophone Caribbean, the emergence of this theory occurred in response to “the influence of Rastafarianism, black power movements, the Cuban Revolution, national liberation movements in Africa and Asia, Marxism-Leninism, and Third World economic nationalism”.³ Pioneered by a “new generation of Caribbean economists, loosely known as New World economists”⁴ that challenged the prevailing discourse, CDT originated with Lloyd Best and Kari Polanyi Levitt who initially argued that the unique circumstances of the Caribbean require a separate theory to explain the functioning of their economies.⁵ The theory they envisioned took place on two levels: Epistemic Dependency, which showed that the root of the Caribbean development problem lay in the reliance on “imported” concepts and theories of limited relevance to actual conditions in the region and Economic Dependency, the external controls which dominated and diminished the domestic economy of the Caribbean states, which will be the primary focus of this article.

The prevailing paradigms at the time of the New World economists genesis were those of Keynesian macroeconomics, neoclassical microeconomics and the ‘dual

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³ Ibid., 339.
⁵ Ibid., 211-212.
economy’ development model of W. Arthur Lewis which all shared a representation of every economy as an independently functioning system in which markets operate through the interaction of supply and demand between “locally owned firms and resident consumers, and where the determinants of short-period economic activity and long-term growth are endogenous to the economy”.

It was therefore assumed that the government could control the economy in the short-term by adjusting fiscal and monetary policy, in addition to policies to attract foreign capital to “supplement local savings and finance the level of investment needed for long-term growth”. The primary assumption of the three previously mentioned economic perspectives was that all states understood the concept of development in the same way, and would follow the same path in ‘developing’ as the developed states historically had. The rules of the game as understood by the emergent theorists were as such (though terminology varies slightly):

*the muscovado bias* described the hinterlands confinement to terminal activity (it either produced primary goods or distributed consumer goods imported from the metropole); The *navigation provision* ensured that goods were transported by metropolitan carriers, and services were provided by metropolitan intermediaries; the *metropolitan exchange standard* specified that the banking system would be dominated by metropolitan financial intermediaries and ensured that the hinterland currency was fully backed by metropolitan assets.

CDT argues through the Theory of Plantation Economy that, in essence, the structures put in place at the time of colonization (called Model I) have remained intact,
and have in fact been upheld, by the metropolitan-hinterland relationship. According to Girvan, Best and Levitt, this initial relationship evolved first into Model II (where family-owned plantations replaced corporate plantations and a peasant class emerged) and then into the Model III Plantation Economy or Post-Emancipation and Contemporary system, which refers to the present situation in the Caribbean states,\(^9\) where trading companies have been replaced with branches of multinational corporations to produce raw materials (i.e. bauxite in Jamaica), as well as staple food as exports to the metropole, ensuring the continued domination and ‘underdevelopment’ (defined loosely as the condition of low growth and sectoral imbalance)\(^10\) of the Caribbean states.

During the process of decolonization, development became the watchword, the motivation for the economic and welfare improvement of impoverished states. In traditional discourse, development has been understood by the majority of metropole governments to be “synonymous with economic growth within the context of a free market international economy”,\(^11\) which in turn is necessary for combatting socio-economic issues. This mainstream understanding is predicated on the apparent triumph of economic liberalism, and has led to the promotion of these policies throughout ‘developing’ Caribbean states. A critical definition of development has emerged that argues for locally driven understandings of development and local control over the economy in order to facilitate economic growth and improve welfare internally,\(^12\) which

\(^9\) Girvan, “Caribbean Dependency Thought Revisited,” 336, Table 1.
\(^12\) Ibid, 471-473.
was the approach originally developed by leading Caribbean Dependency theorists.\textsuperscript{13} Though there is an obvious difference between development aid, loans and grants, CDT finds the distinction profits only the metropole and thus describes metropole-hinterland transfers of funds as mechanisms of control. The goal of Caribbean Dependency Theory is to build a theoretical framework in which economic policy can be devised to allow Caribbean states to assume control of their own development and growth in a manner which ensures that the needs of the Caribbean peoples are met and that promotes their interests within their own countries through economic policy which does not impede local production, education or health care services.\textsuperscript{14} Thus, CDT would only support those humanitarian and economic aid programs which originated within the Caribbean, as these would be more directed at ending the dependence on the metropole; any programs or charities originating within the metropole, because they would not necessarily support the “specificity of the Caribbean experience,”\textsuperscript{15} would be understood as a continued lack of control from within the hinterland economies.

Beginning in the 1970s, the standard prescriptions of neoliberal globalization were applied along with the assumption that hinterland states were simply metropole states that had not accumulated enough capital. As this does not take into consideration the Caribbean countries relationship with globalization, it has thus created a paradigm in which the experiences of the hinterland economies are disregarded.\textsuperscript{16} Due to this externally sustained system, metropole states have gained compliance from Caribbean

\textsuperscript{13} Best and Levitt, “Outline of a General Theory of Caribbean Economy”.
\textsuperscript{14} Ibid.
\textsuperscript{16} Ibid., xvi-xxii.
governments through ‘stick’ methods such as economic sanctions and adjustment programs, or ‘carrot methods’ in the form of “promises or deliveries of benefits (economic aid, or trade preferences)”. According to Moon, these methods act as “consensus producing forces” on economic, political, social and cultural relations between the dependent nation and the global system and dominant nations (primarily the United States). The dependent nature of the metropole-hinterland ‘aid’ relationship has also come to dominate the monetary system. The local currency of Caribbean states is tied to a metropolitan currency and the banking-system was controlled externally, leading Odle to characterize Caribbean public finances as exhibiting “fiscal dependence” due to reliance on foreign loans and grants.

Capital influx, whether charity or grant, and policy intervention, whether loan or trade agreement, designed and operated by the metropole, is geared towards the continuation of the plantation economy structures, designed to perpetuate the hinterland dependence on the metropolitan at every level of interaction. The origins of CDT in the need for a Caribbean-centric economic policy provide an interesting basis from which to launch a case study. CDT argues, that capital in any form, coming from a metropole state or organization, is in fact a tool of the system of domination, thus it can have no positive effect on the ‘legitimate development’ of the Caribbean states. Instead, these adjustment programs, charitable giving’s, and bilateral agreements, promote the very cycle that CDT theorists would argue keeps the Caribbean economy from long-term

18 Ibid.
19 Girvan, “Caribbean Dependency Thought Revisited,” 331
growth and the improvement of conditions internally. To analyze this more clearly, my unit of analysis will be the island of Jamaica.

Jamaica’s economic development can be understood as a historically established metropole-hinterland interaction model, based in the colonial creation of power relations, whose theme of economic domination has continued throughout the state in the form of organizations that are in fact tools of the metropole states, of whom the primary goal is to reinforce the status quo exchanges. The purpose of this analysis, and the reason it is so important in understanding the current situation, is that it demonstrates that hinterland states, like Jamaica, are fundamentally different from the assumptions of metropole countries, thus requiring an alternative approach to development.

With Jamaica’s withdrawal from the colonial system, via the West Indian labour rebellion of 1937-1938, Jamaica was granted a small level of democratic self-rule which expanded in scope (and included the establishment of a semi-autonomous political system) until full independence in 1962. As full independence was achieved, politics came to be dominated by two main political parties: the People’s National Party (PNP), a more left-leaning party founded by Norman Manley, and the Jamaica Labour Party (JLP) headed by Alexander Bustamante (the JLP under Bustamente won the first ‘free’ election with full suffrage, with 51% of votes). Following the analysis of West Indian economist W.A. Lewis, the JLP government’s policymakers pursued “industrialization by invitation” which consisted of import-substitution policies and the encouragement of foreign direct investment, as a means of liberalizing their economy and producing

20 Ibid., 417, Table 1.
competitively alongside the rest of the world.\textsuperscript{21} Initially, the Gross Domestic Product (GDP) rose an average rate of 7% per year, and per capita income increased by 4.4% per annum from 1950-1970, allowing the JLP to win the 1967 election with 51% of the vote, as the short-term growth of Jamaica looked promising.\textsuperscript{22} However, these policies only reinforced the metropole domination of the hinterland plantation economy; though GDP and GDP per capita were on the rise thanks to “industrialization by invitation”, the long-term effects of these policies on actual conditions within Jamaica were not anticipated.

At this point the distinction must be made between the national economy, which refers to the geographical area to which the gross domestic product is applied and is an economic extension of the metropolitan economy, and the domestic economy, which refers to the economy of the individuals in the country.\textsuperscript{23} In the case of Jamaica, the national economy during the 1960s and 1970s flourished under the administrations liberalizing, pro-Western policies, while the domestic economy suffered through increased social inequality and unemployment, driving segments of the workforce into ghettos.\textsuperscript{24}

The increasing socioeconomic issues brought the PNP into power in 1972 under Michael Manley\textsuperscript{25} which heralded a period of democratic socialism and regional solidarity, with the administration explicitly opposing dependent development in the country, accepting the structural dependency critique of the international economic

\textsuperscript{21} Ibid., 416-417.
\textsuperscript{22} Ibid., 416.
\textsuperscript{23} Girvan, “Plantation Economy in the Age of Globalization,” 19.
\textsuperscript{24} Biddle and Stephens, “Dependent Development and Foreign Policy,” 419.
\textsuperscript{25} Ibid., 417, Table 1.
system and its results in underdevelopment and subsequently made efforts to restructure the national economy and infrastructure.26

The most predominant of the Manley government’s policies was the formation of an international bauxite producers’ cartel, the International Bauxite Association (IBA) in early 1974, which resulted in a unilateral tax levy of 7.5% of the price, which yielded an estimated $170-$200 million in the period from January 1974 to March 1975 alone. Additionally the government negotiated 51% ownership in the companies involved solely in bauxite mining and persuaded other IBA member states to impose levies as well. The bauxite policy is an example of the Jamaican government asserting control over its foreign and national economic policy and is an example of true development as understood by Caribbean Dependency theorists. This move by the government of a Caribbean state to improve its revenues and terms of trade unilaterally in order to ensure its profit and (theoretically, in the long-term) create a national economy that would not be dependent on foreign aid and loans and is one of the ways in which the government could prioritize and establish the interests of the Jamaican people, while lessening its level of dependence and closing the gap (albeit slightly) between the metropole and the hinterland, as the broad goal of the policy was to wrest control of the bauxite industry from the controlling interests of the transnational corporations home states.27

Outside the capitalist state’ sphere of influence, the government, as a result of increased revenues, “indicated its seriousness over redistribution of income by introducing new progressive tax laws” which focused on the wealthier portion of the

26 Ibid., 419-420.
27 Ibid., 420-421.
The administration’s understanding of development as being internally borne led to deteriorating economic conditions in the country vis-à-vis the disapproval of the United States (as Jamaica developed a closer relationship with Cuba), declining tourism and rocky interactions with the International Monetary Fund (IMF). These conditions, as well as Jamaica’s historical development, led the Jamaican government to conclude that Jamaica could not sustain itself solely based on internal production and necessitated a return to banks and institutions for assistance. The IMF responded to this request for help by offering loans and conditioning acceptance on a set of austerity measures for the country; changes to fiscal and monetary policy, that would ‘correct’ the Jamaican system and make their exports more appealing, as increased production was presumed to generate growth in an economy. Manley refused to adopt these conditions, but continued social discontent and outbursts of violence marred the elections, in which Manley’s PNP government was replaced by Edward Seaga’s JLP in 1980. The far more conservative JLP moved to implement IMF policy, and over the next four years Jamaica was subjected to the deterioration of social services, rising inflation, a slowed economy and increasing unemployment. After the Seaga government initially implemented new conservative IMF requirements, GDP per capita declined, savings

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28 Ibid., 420-423.
30 Ibid.
as percent of GDP improved for approximately two years before falling rapidly,\textsuperscript{34} and ‘aid’ flows skyrocketed from $150 million to over $250 million,\textsuperscript{35} as the country was unable to finance its own existence.

Over the next two decades the situation swiftly deteriorated, as a direct result of these policies. Subsequent governments, the second Manley administration (1989-1992) and the following PNP administration under P.J. Paterson (1992-2006), had little choice but to continue the acceptance of loans, grants and ‘development aid’ as their means for developing internal structures to allow Jamaica to sustain its own economic growth were hindered by its history of dependence on the metropole (and its affiliate organizations and institutions) and were further exacerbated by growing public debt. “Beginning in 1991 with the signing of a Structural Adjustment Package with the IMF, Jamaica undertook a rapid process of financial liberalization”\textsuperscript{36} which amplified previous social issues with the loan being conditional on the reduction of social programs and the resultant lagging state regulations (as the structural adjustments were not a product of Jamaican innovation) lead to widespread bankruptcies in the financial sector by 1994.\textsuperscript{37} Since then, public debt, which has crippled the economy and ensures there is no exit from IMF packages and aid, has increased dramatically. In 2000, it had reached a high of 80\% of GDP.\textsuperscript{38} By 2006, Jamaica’s savings, a good indicator of the actual condition

\textsuperscript{36} Johnston and Montecino, “Jamaica: Macroeconomic Policy, Debt and the IMF”, 5.
on the ground in the country, had dropped to the lowest level since 1975,39 its GDP per capita growth was negative.40 and its public debt had reached an astonishing 111% of GDP.41 On shaky economic ground already, the global economic recession hit Jamaica particularly hard, with its currency depreciating by nearly 20% from September 2008 to February 2009,42 forcing it into another round of IMF loans and dependence on foreign assistance, as the governments efforts to finance its own recovery were simply too small to counteract the large shocks to the system.

Recently, Jamaica’s situation continues to deteriorate; in 2010, Jamaica’s public debt was on the rise again,43 and the IMF has essentially taken full control over the country. Even after the negative shock of Tropical Storm Nicole (fall 2010), and despite GDP growth registering as negative for that fiscal year, Jamaica was not eligible for relief under the World Bank-administered Caribbean Catastrophe Risk Insurance Facility (CCRIF) 44 and “was only allowed to increase spending by 0.2% of GDP”.45 The IMF program put in place in the aftermath of the global recession focused on pro-cyclical policies which limited government spending particularly on tourism, where the government was forced to halve the $10 million planned for an advertising campaign to attract foreigners to the country in order to meet IMF stipulations ,and the containment of the wage bill (the total of the wages an employer has to pay its employees) which directly impacts unemployment and national economic sustainability and can have negative consequences for a developing country like Jamaica whose health and

39 World Bank, Savings (% of GDP), 2012.
40 World Bank, GDP per Capital Growth (annual %), 2012.
41 Inter-American Development Bank, Total Public Debt: % of GDP (Annual Average), 2012
43 Inter-American Development Bank, Public Debt: % of GDP (Annual Average), 2012.
45 Ibid.
education sectors were in dire need of financing.\textsuperscript{46} The IADB stepped in at this point to provide ‘aid’ for social programs in the country to the tune of $50 million, resulting in an increase in the official government poverty rate (from 10\% in 2007 to 16\% in 2009). When the current ‘development aid’ money runs out, Jamaica will be in no better of a position to drive its own economy internally and could even be positioned to take an even larger loan to finance whatever projects it may have put in place as a result of the ‘development aid’, or be forced to cut programs causing increased socio-economic tensions. This understanding of ‘development aid’ is the reason for $100 billion worth of aid from the European Union to Jamaica since 1975\textsuperscript{47} and $9.5 million UNDP grant to aid poverty reduction from it’s largest trading partner, the United States, earlier this year.\textsuperscript{48} Although these grants claim to have assisted the conditions on the ground in Jamaica, the fundamental problem and issue of concern for CDT scholars is that this ‘aid’ essentially perpetuates the metropole-hinterland cycle, because Jamaica is kept on a steady diet of external assistance and cannot develop the internal dynamic necessary to sustain itself. It is dependent on both ‘development aid’ in the form of grants and ‘development aid’ in the sense of loans, particularly considering the fact that oftentimes the conditions of the loans limit how the government can allocate the money received from grants.

As CDT scholars have shown, development is not measured only in capital, but requires the evolution of an internal dynamic, not only of physical structures and institutions, but a shift in the dominant discourse to emphasize that what is needed is

\textsuperscript{46} Ibid., 12-16.
not the charity of the Developed World, but the rise of the ‘developing’ World on its own steam, by its own hand, which is what is fundamentally missing in the case of Jamaica. The IMF (and other international institutional) loans are a direct perpetuation of this cycle, with grants loans and aid only serving the improvement of structures that assist or promote metropolitan values, interests and industries. As such, the entire system serves as a tool to keep Jamaica, and other Caribbean nations, dependent on external injections of capital. These tools play an incredibly significant role in Jamaican politics, and their prevalence and power is a direct result of metropole states investing in the country and providing ‘aid’ for the national economy whilst neglecting the need for growth in the domestic economy. Jamaica is a disturbing example of the real effects of massive public debt and reliance on ‘development aid’ and foreign loans. A country which prioritizes the interests of metropole creditors and institutions over the needs of its own society because it has been locked into a pro-cyclical pattern of underdevelopment, Jamaica can find no relief from these Western-oriented policies, unless it turns it gaze inwards and develops economic policies independent of exterior motives. Although ‘assistance’ was offered to Jamaica in particular, and developing Caribbean states in general, development aid as the metropole understands it cannot be about true development, as it must take into consideration the needs and interests of the Caribbean peoples, and focus on internal welfare-improving policies that are designed to be Caribbean-centric with the short and long-term goal of ending the dependent metropolitan-hinterland relationship in order to emancipate these oppressed states from the historically embedded and enforced system of domination.