JAGAN

BUDGET

BUDGET SPEECH (1990) BY CHEDDI JAGAN

The past Finance Minister was Mr. Hope. This present encumbent does not have the same name. But they both share the same sentiments - hope everlasting hope ! However, the hope never materialise.

The Economic Recovery Programme (ERP) failed even before it got started, Last year's first phase of stabilisation is to start all over again. To stem the hemorrage of the "crushed limb", as the Finance Minister so picturesquely put it, a growth rate of 4 per cent above 1988 was targeted. But the value of output was about 5 per cent below 1988.

The Minister accuses the Opposition of offering "fanciful escapes" In his budget speech, he told this honourable House that the IMF way and the government's "proposals represent " the foundations for growth in the 1990's.

These proposals are a total flip-flop, a somersault of what was advocated before.

There is now a 180 degree change in direction from what the then Minister of Economic Development, Desmond Hoyte, told the Think-In organised by the Clerical and Commercial Workers' Union in 1976. The then socalled socialist course under "Burnhamism" was/a total /also failure.

Today, according to Dr. Thomas Gittens of the University of Guyana "we are on a new development model which is private capitalist in orientation, underpinned by a heavy reliance on foreign investment, with the state committed to a laissez-faire facilitating role - the provision of the requisite incentives, investment climate and a stable industrial and political investors. This is all very reminiscent of the Lewisian strategy and model, tried with mixed results in the 1950s and 1960s."

This, he says, is a "resurrected industrialization by Invitation model with an export orientation" - the model which formed the basis of the failed 1966 - 72 PNC Development Plan.

About that failure, the then Economic Adviser to the PNC Government, Dr. Wlifred David has said: "we have growth without development, exemplified by a high level of unemployment and foreign dependency."

Is it reasonable to expect that the model which failed in the late 1960's will succeed now when the infrastructure is in disarray and decay and the country is saddled with one of the biggest public debt in the third world ?

What is the experience of other countries which followed the PNC's new path ? This is what the United Nations 1989 World Economic Survey had to say:

> " So far virtually none of the countries with serious debt-servicing problems in 1982 have managed to restore a workable balance of payments position, let alone their creditworthiness."

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"After years of efforts to improve their trade balance at a heavy social and economic cost, adjustment fatigue is setting in."

"Even countries that have produced large trade surpluses seem more vulnerable today than at the onset of the debt crisis.

The UN Study Bolivia, Ghana, Jamaica, Mexico and the Phillippines "as countries that have undergone austerity but over the decade have not been able to alter their economic structure fundamentally."

After the failure of the PNC's first experiment with the IMF, road, the former President L.F.S. Burnham told the PNC 1983 Congress that the IMF were "economic doctors, paper doctors, not social doctors" and their prescriptions meant devaluation, ending all subsidied especially those on food, wage freeze/wage restraint, abolition of price controls and reduction in public spending, thus "creating unemploy ment in the context of no unemployment benefits being available."

President Desmond Hoyte also was very critical of the IFM conditionalitie In 1985, he told the PNC Congress:

"I t is against this background, and in accord with our own analysis, informed by the clear experience of other countries, that we have concluded that the standard IMF prescription is not dangerous and counter-productive in our particular situation.

"We must resist with all our might the pressures that might be exerted to force us on the IMF's Procrustean bed".

At the same Congress, he had also said:

"Our economy has taken a turn for the better, when our detractors said it could not be done. We are on the road to recovery".

Instead of recovery, there is disaster.
Now we are hearing about "chronic economic imbalances". And so on bended knees, the IMF is embraced, and a full dose of its medicine is being forced down the throats of the people.

But successive devaluation have not helped the economy. Instead of destroying the paralell market, the open-window facility of the commercial banks collapsed. Now, the "cambios" are supposed to do the trick. Since there is an admission that more funds areneeded for imports, the paralled market is likely to prosper and to push up the exchange rate.

Not only was there negative growth of 5 per cent below 1988. The value of exports fell - sugar by 20%; rice by 39% and bauxite by 38%.

The Central Government's current operating dificit of $725 million in 1989 showed a deterioration of 70 per cent on the 1988 deficit of $426 million.

The government failed to reduce non-interest current expenditures from 37 to 33 per cent of GDP. The nation is told that Guyana 's total deficit ratio is still the highest of all the Caribbean and Latin American countries: 37 per cent of the GDP in 1988 as compared with 23.6 per cent for Nicaragua, 23.4 per cent for Suriname, and an average of less than 10 per cent for the region.
The overall Central Government deficit is projected to more than double in 1990 from $1, 065 million in 1989 to $2,899 million.

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The precipitate sale of assets through divestment is intended to supplement revenues for the payments of hugh foreign and local debts. Debt payments increased from $1,396 million in 1988 to $1,901 million in 1989 and is estimated to be $3,398 million in 1990, a little less than the total current revenue, estimated at $3,771 million in 1990.

This 1990 budget is more draconion that the one dictated by the IMF last year. The only difference is that this one has introduced the poisinous potions deceptively be stealth - pre-budget price increases for rice, sugar, cooking gas, gasolene, dieselene etc, increased rates and taxes and drainage and irrigation rates; increased transportation, electricity and telephone changes; devaluation.

The "cambio" exchange rate represents a hidden devaluation. Goods imported from foreign currency released by than will cause import duties and consumption taxes to be levied but at the rate of $33 to US$1, but at $55 or higher to US$1 will have devastating impact on the lives of all sections of the people, including pensioners. It will lead to greater suffering, dissatisfaction and alienation. Consequently, the real GDP growth rate of 3.1 per cent targetted for 1990 will not be achieved.

It is ironic that the same people who created the crisis and its imbalances are asking the people to have confidence in them and to go through a further protracted and painful period.

They do not have the legal and moral right to do so. They are wreckers. They have pushed the economy to stagflation - greater recession and inflation. Imagine sugar, stone and rice are now coming from outside. We are exporting paddy and cargo rice, rice bran from which the oil has not been extracted, and logs instead of finished wood products and furniture to South Korea. Under neo-colonialism we are becoming primary producers of the worst type - worse than in the days of colonialism.
A credit squeeze, high interest rate and high consumption tax cannot help to accelerate the economy.

Devaluation and the pace of deterioration have been a bitter pill for the worker and the poor. Hunger and malnutrition have grown. Average calorie intake is only 79% of requirement, and infant mortality rose from 30 to 50 per 1,000.

This government is concentrating its attention on the <u>external factor</u> grants, loans, investment, But little attention is paid <u>to the internal factor, the worker and the farmer</u>.

Developmentalists increasingly are taking about sustainable development on a self-help, self-reliant basic needs strategy. They are paying more attention to "human resources", the human factor.

We do not have to sell out our country and our souls simply to get cash, to borrow money simply to pay debts.

Financial resources can also be mobolised through "social capital", removal of constraints on the parallel economy, re-migration of overseas Guyanese with capital, food-for-work programmes and barter arrangements.

If the rate of growth of the PPP government (72% in rice and 50% in sugar and bauxite and 56% in manufacturing for the 7-years period) has been maintained, we would not have been in the serious trouble we are in now. Guyana would have had a healthy economy and a contented people. But this government cannot mobolise internal human and other resources.

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The Government has involved the eminent Alister McIntyre to call for sacrifices in support of its socalled recovery programme. But the Report of the Commonwealth Support Group, which he headed made it clear that without political and public support, there will be no success. The Group was well aware of what political scientist, Dr. Perry Mars, called "a depressing wasteland of disgruntled souls only waiting for the next plane out... This situation deblitates our souls, reduces our capacity to produce and do creative work."

The Commonwealth Support Group is also waware of the report of the Mission of the Canadian Council for International Cooperation to Guyana which had stated that the "situation in Guyana today is characterised by an entrenched political regime officiating over a bankrupt economy, unable to provide basic services for an increassingly disaffected population...The government's determination to consolidate power and assert hegemony of the party over virtually all organisations, gave no scope for the flourishing of independent institutions. Social organisations, religious organisation, associations of professionals, businessmen, students, workers, farmers, sportmen were all targetted to be grought under party or state control or influence.

The exodus of a large part of the population, approximately 150,000 persons or 20% of the total, in the last 7 years, dramatizes the response of the professional, business and middle classes.to the ecomomic decline and state hegemony".

On the same point, the McIntyre Report was also explicit stating: "But perhaps, the even greater loss has been the deterioration in the physical quality of life of the population. Since 1980, average incomes have fallen by 50 per cent, unemployment has doubled to 40 per cent of the workforce, health and educational services are minimal and many of the doctors, nurses and teachers have emigrated".

Consequently, the McIntyre Report referred not only to the back of political support but also a lack of institutional capacity. At paragraph 40, it stated: "the experience of other developing countries has shown that the changes of success a broad measure of public support for the program, and to engage a team of highly competent and dedicated officials to implement it."

The PPP has been saying the same for many, many years. Its 1979 Political Programme stated:

"lack of democracy, bureaucratic-administrative and police-military methods of rule, the denial of human rights and civil liberties, the militarisation of politics and industrial relations, the refusal to establish democratic management and workers' control at state enterprises and to recognise truly democratic mass organisations political and racial discrimination in the allocation of jobs, lands, credit,houses and consumer goods at state outlets, political patronage, corruption and extravagance have acted directly and indirectly as fetters on the productive forces."

Democracy and the human factor are essential for development and social progress. Noting this, the McIntyre Report calls for a "political system which will encourage the participation of all Guyanese in the recovery program, and a restoration of confidence in the ability of the government to manage the economy and share its benefits widely."

Apart from the ridiculous 7% increase in wages, there is the spectre of retrenchment, which will haunt the Guyanese working people. This will lead only to more emigration, more traders on the streets and greater poverty and malnutrition.

To share the benefits widely, both FITUG and the TUC have called for investment in the people through a living wage. A seven per cent wage increase is unrealistic; it cannot work. This must be withdrawn, and the trade unions must be allowed to enter into free collective bargaining with the employers, including the government and state corporations.

And above all, the call by President George Bush, Senator Edward Kennedy, Prime Minister O.N.R. Robinson and opposition leader Henry Forde of Barbados must be heeded for free and fair elections.

For elections to be free and fair, there must be an independent Elections Commission, which must fully control all aspects of the electoral process, including the registration of voters; a prelimenary counting of votes must be made at the place of poll and observers must be invited to certify that the elections are free and fair.

Without democracy and the fullest participation of the people, there will be no recovery.