The impact of the nationalization of bauxite on Jamaica's development

Rickey Warner

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THE IMPACT OF THE NATIONALIZATION
OF BAUXITE ON JAMAICA'S DEVELOPMENT

A THESIS
SUBMITTED TO THE FACULTY OF ATLANTA UNIVERSITY
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF ARTS

BY

RICKEY WARNER

DEPARTMENT OF ECONOMICS

ATLANTA, GEORGIA

APRIL 17, 1978
PREFACE

This thesis seeks to establish the impact of the Nationalization of bauxite on the development of Jamaica. The survey covers a period of less than a decade, yielding an enormous amount of demographics and facts using the MNC as a development vehicle.

Hopefully, the study will cast new light on portions of the subject untouched by research, in an honest and straightforward manner.

I would like to thank Dr. D. Boston, my advisor, and Dr. R. Allen for their guidance and assistance. Thanks is extended to Mr. Basu Bryant, of the Jamaican Embassy, Washington, D.C., for the array of information he provided that made this study relevant.

Further, I would like to thank my family; my parents, Daphne, Cathy, Lloyd Jr., and Keyisha for their patience. An extra special thanks is extended to Pam J. Green, for her patience and endurance throughout the writing and typing of the thesis.

R.P.W.
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CHAPTER I

THE PRE-NATIONALIZATION ERA

The purpose of this chapter is to scrutinize the bauxite industry in Jamaica before nationalization of bauxite ensued in 1974. The hypothesis derived emphatically implies that Jamaica witnessed sustained growth, not development, in its economic status. The medium will be employment, gross national product, investment, and the balance of payments for a five (5) year period, that is, 1969-1973. But, it is essential that certain terms be defined within some conceptual framework before proceeding to the problems of development. One such term is third world. The "Third World", according to Alfred Sauvev, is descriptive of "non-aligned developing nations, that remained outside of the two power blocks, but belonged to the non-communist world."¹ Less-developed, under and un-developed countries are, for the most part, all used interchangeably and are synonymous to "Third World". These areas are economically depressed and many lack the necessary knowledge, or hesitate

to implement or utilize this knowledge as a means of achieving development.

Growth, according to Alan Gilpin, is defined as increases per head of the population in the production of goods and services of all kinds available to meet final demand. Whereas, development is progress in respect to capital investment, education, training, productivity, and general standards of living. To fully understand the persistence of underdevelopment, it is necessary to focus on the historical process by which the institutions for creating wealth have evolved. Barnet and Muller adequately shed light on the core of the development problem. According to Barnet and Muller:

Countries rich in the raw materials of wealth, lack the internal political and economic structures to obtain the other essential ingredients of wealth to convert their resources into a well-functioning economy and social order.  

In addition, persistent underdevelopment may be accredited to the lack of capital resources, technical and/or managerial skills, imperialism, and a host of other factors that are instrumental in retarding economic growth.

The Multinational Corporation will undoubtedly be used as a vehicle of economic development throughout the analysis.

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Therefore, it is essential that a definition of the Multi-
national Corporation be provided to clarify any distortions
or misinterpretations that the term itself may imply. There
is no one definition for the Multinational Corporation. As
a matter of fact, there seem to be some divergence in defini-
tions provided by many eminent economist. Jacques Maisonrouge,
defines the MNC as follows:

The Multinational Corporation is an institu-
tion that makes possible the use of world
resources with a maximum of efficiency and
a minimum of waste ... on a global scale.\(^3\)

John H. Dunning, on the other hand, provides a more concise
definition but the meaning is the same.

"The Multinational Corporation is a firm
that owns and controls income generating
assets in more than one country."\(^4\)

**Employment**

A major concern of inhabitants of both the developed and
underdeveloped countries is the soaring unemployment rates.
Unemployment has been a critical problem in Jamaica for decades.

\(^3\)Jacques Maisonrouge, "How International Business Can
p. 18-21

\(^4\)John H. Dunning, Economic Analysis and the Multinational
Therefore, special efforts will be exerted to examine the problems of employment in bauxite, and to derive some feasible solutions to these problems.

It should be emphasized that no one is advocating that Jamaica should use the same criteria for measuring employment as the U.S., a more developed country. One should, however, keep these points in mind. It has been especially difficult for Third World Countries, such as Jamaica, to achieve "full employment." When the economist talks of "full employment", he does not mean that one hundred per cent of the available labor force is working. In a dynamic, free economy a certain amount of unemployment is regarded as normal. The largely unavoidable minimum of unemployment—often termed "frictional unemployment"—is estimated at three (3) or four (4) per cent of the labor force for the United States. Unemployment statistics, however, can be misleading. First, the unemployment statistics can understate the unemployment problem. Campbell Mc Connell accredits these discrepancies to the following: 5

1. Workers who are working part-time or underemployed because full-time employment is not available.

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2. Workers who unsuccessfully sought employment and discouraged by their efforts, dropped out of the labor force.

According to McConnell, one must be actively seeking work to be counted as unemployed in government figures.

Regardless of the exact interpretation one gives to these statistics, "above-normal" or "true" unemployment entails great economic and social cost.

The bauxite extracting firms in Jamaica are an extension of the American and Canadian Multinational Corporations. They include Alcan, Alcoa, Revere and Alpart (a consortium of Reynolds, Kaiser and Anaconda). These MNC's are highly characterized by certain tendencies that inevitably leads to a depressed state of employment, output and price levels. Joseph Schumpeter in his book, Capitalism, Socialism and Democracy, referred to this process as "Business Cycles". The cycle consist of periods of progress, overproduction, crisis and recession. In the progressive stage, the economy is close to what some economists term "full employment". Full employment as previously defined, in a capitalistic society, implies that there may be approximately (4%) unemployment in the economy. The capitalist, therefore, attempts to accumulate surplus based on the number of employees. Therefore, the Multinational Corporations continue to extract more in surplus, which eventually leads to a period of over-
production and excessive accumulation. Consequently, numerous layoffs occurs and the unemployment level increase further.

An important point extracted from Karl Marx, that should be included in the analysis is that;

Capitalist production, and consequently, the home market grows not so much on account of articles of consumption as on the account of means of production.⁶

In other words, the increase in the means of production in a capitalist system, gravely outstrips the increase in articles of consumption.

Since the Multinational Corporation exploitation of bauxite, in Jamaica, there has been a relative decrease in the total number of workers employed in the bauxite industry from 1969-1973. The employment statistics for the bauxite industry (mining and related activities) for the forementioned time period were extracted from publications by the Jamaican Planning Agency.

### TABLE 1

ANNUAL EMPLOYMENT IN BAUXITE AND RELATED INDUSTRIES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining, Processing and Related Activities</td>
<td>4,719</td>
<td>5,493</td>
<td>6,162</td>
<td>6,756</td>
<td>6,825</td>
</tr>
<tr>
<td>Construction</td>
<td>6,645</td>
<td>5,910</td>
<td>3,938</td>
<td>1,530</td>
<td>1,110</td>
</tr>
<tr>
<td>Agriculture &amp; Agricultural Processing</td>
<td>2,080</td>
<td>1,987</td>
<td>1,529</td>
<td>1,433</td>
<td>1,200</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>13,444</strong></td>
<td><strong>13,390</strong></td>
<td><strong>11,629</strong></td>
<td><strong>9,719</strong></td>
<td><strong>9,635</strong></td>
</tr>
</tbody>
</table>

Source: Jamaican Planning Agency

According to (Table 1), the total number of workers employed in bauxite production during 1969 was reported at 13,444. This means that approximately 3,809 jobs were lost since 1973, when the figure was 9,635. Just as amazing, the bauxite and alumina companies provided employment for a total of 9,605 persons at the end of 1974. This represented an even greater decrease in the employment figures. The reasons for employment cutbacks are many. The Jamaican Government attributed the layoffs in all
phase of the bauxite industry, (exception mining where there was a substantial increase in employment) to the completion of the plant at Revere. The layoffs in construction were not off set by additional workers employed in mining and processing after the plant went into operation in 1971. These are the most obvious reasons for the annual decrease of workers in bauxite.

There are, however, other reasons cited for the rampant lost of jobs. The high degree of capital intensity, or technology characterizing contemporary Multinational Corporations is another. Malthus defines the process of employing surplus-value as capital, and reconverting it into capital, as the "accumulation of capital." This had inevitably been the end result in the capitalist mode of production. Capital has continued to increase and multiply with immense powers over the working class. As capital itself is reproduced on an ever-greater scale, the modern capitalist mode of production reproduces the working class on a ever-greater scale, in ever-greater numbers.

The accumulation of capital reproduces the capital relation on a progressive scale. The impact is the polarization of more capitalist or larger capitalist at one pole, and more wage workers at the other pole. With the invention of machinery and

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more creative and innovative methods of production, fewer and fewer workers are necessary in order to produce the same quantity of products. Since the number of workers grows more rapidly than capital itself, the vast number of workers forms, as Marx labels it, "an industrial reserve army" of unemployed.8

1. During times of moderate business they are paid below the value of their labor and is irregularly employed, or comes under the care of public Poor Law institutions.

2. They are indispensable to the capitalist at times when business is booming. (The impact of this is to weaken any powers or resistance of the regular workers and to surpress wages).

The production level of bauxite produced was practically stagnant between 1969-1973 before taking a small dip in 1975. (See Table 2)

TABLE 2
BAUXITE PRODUCTION

<table>
<thead>
<tr>
<th>YEAR</th>
<th>QUANTITY PROCESSED (Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>8.85</td>
</tr>
<tr>
<td>1970</td>
<td>10.09</td>
</tr>
<tr>
<td>1971</td>
<td>10.45</td>
</tr>
<tr>
<td>1972</td>
<td>10.82</td>
</tr>
<tr>
<td>1973</td>
<td>10.24</td>
</tr>
<tr>
<td>1974</td>
<td>11.69</td>
</tr>
<tr>
<td>1975</td>
<td>9.42</td>
</tr>
</tbody>
</table>

Source: Jamaican Planning Agency

In addition, hiring by major Multinational Corporations, specifically Alcoa, was virtually frozen because of Prime Minister Manley's announcement of a new interim government. In 1972, there was much political unrest stemming from the establishment of a new Democratic-socialist government. This was another reason for employment problems in bauxite production.

Official demographics show the total population of Jamaica at 1.9 million between 1969 and 1973. The 13,444 jobs of 1969, and the consequent 9,635 jobs in 1973, were an infinitesimal
deduction in the total jobless as reflected in those years.

The National Planning Agency compiled data and provided statistics for selected industries for 1969-1973. A comparison of bauxite to some other top industries are made with respect to the number of jobs available in these respective industries.

**TABLE 3**

**EMPLOYMENT MAJOR INDUSTRIES**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar (Number of persons worked during crop)</td>
<td>62,100</td>
<td>58,277</td>
<td>54,726</td>
<td>52,712</td>
<td>50,750</td>
</tr>
<tr>
<td>Employment By S.M.A. Members</td>
<td>23,700</td>
<td>23,085</td>
<td>21,725</td>
<td>21,000</td>
<td>20,900</td>
</tr>
<tr>
<td>Employment By C.F.A. Members</td>
<td>16,500</td>
<td>15,200</td>
<td>14,300</td>
<td>13,900</td>
<td>12,700</td>
</tr>
<tr>
<td>Self-Employed</td>
<td>20,054</td>
<td>19,992</td>
<td>18,701</td>
<td>17,812</td>
<td>16,520</td>
</tr>
<tr>
<td>Hotel, Guest House, Cottages &amp; Apartments</td>
<td>7,540</td>
<td>8,730</td>
<td>9,300</td>
<td>9,580</td>
<td>9,765</td>
</tr>
<tr>
<td>Bauxite and Alumina</td>
<td>5,047</td>
<td>5,493</td>
<td>6,162</td>
<td>6,756</td>
<td>6,825</td>
</tr>
</tbody>
</table>

Source: Economic Survey Jamaica

According to the Jamaican Planning Agency, bauxite is the leading export item of the Jamaican economy. However, the
The bauxite industry ranks last on the list of major industries in employment, due to reasons previously mentioned. (See Table 3)

**Gross National Product**

GNP is defined as the value, at current market prices, of all final goods and services produced during the calendar year by resources owned by persons ordinarily residents in Jamaica.

Gross National Product amounted to $36.5 million in 1969, (See Table 4). This represents a growth of 9.8 per cent over $27.2 million attained in 1968, and would indicate a slight slowing down of the economy compared to the 10.4 per cent expansion in 1968. The continued growth of GNP was attributable mainly to increasing exports of bauxite, alumina and manufactured goods and to a moderate increase in tourism.

In 1969, Gross Domestic Investment was estimated at $260.7 million compared with $230.5 million in 1968 and $177.4 million in 1969. Gross Domestic Investment grew by only 13% in 1969 was basically due to the leveling-off of investments in bauxite and alumina capacity and the moderate increase in the Government's capital budget. The increase of 13% was attributable largely to the increasing investment in tourist capacity, and the resurgence of other construction.
Personal consumption expenditure was estimated at $612.5 million, an increase of 3.6 per cent above the 1968 level of $564.0 million. This compares with an increase of 7.7 per cent during 1968 over the 1967 level of $523.8 million. In fact, personal consumption is the only category of expenditure which grew at a faster rate in 1969 than in 1968.

Exports of goods and services amounted to $362.1 million, rising by 11.3 per cent over the 1968 figure of $325.4 million. This 11.3 per cent rise compares with 13.7 per cent increase during the previous year. The slow down was due to decline in sugar and bananas exports, but the continued growth was attributable mainly to increase exports of bauxite, alumina and manufactured goods, and to a moderate increase in tourism.

The increase of 11.7 per cent in the Import of Goods and services during 1969 represented a significant decline from 20.8% experienced in 1968. The import sector advanced to $465.8 million, or $49.0 million more than the $416.8 million attained in 1968.

In 1970, The Gross National Product amounted to $981.3 million in 1970 or 8.3 per cent above the 1969 level of $906.3 million. This compares with the increase of 10.3 per cent between 1968-1969.

Personal Consumption Expenditure was estimated at $689.6 million in 1970. This represents an increase of 8.7 per cent over the 1969 level of $634.2 million. In the meantime,
current purchases of goods and services by Government reached $139.8 million compared with $117.5 million reached in 1969, implying a growth rate 19.0 per cent in 1970 compared with 12.4 per cent in the preceding year.

Gross Domestic Investment was estimated at $279.9 million or 8.4 per cent more than $258.2 million reached in 1969. The slow growth of this component was due mainly to the levelling out of investment in Bauxite and Alumina, quarrying and refining, manufacturing and tourism.

The increasing growth rate of exports continued through 1970. Exports of goods and services amounted to $437.0 million or 13.9 per cent more than the $383.7 million recorded in 1969. In 1970, the increase in exports of Bauxite and Alumina accounted for the total increase in merchandise exports, with marginal increases in the value of sugar, rum and molasses, being offset by declines in bananas and other Agricultural exports, and with a small rise in the exports of Manufactured Goods. Imports of Goods and Services amounted to $566.0 million in 1970, representing an increase of 15.9 per cent over the 1969 level of $488.3 million. In 1969, imports rose by only 13.5 per cent compared with 16.7 per cent in 1968. Behavior of this component, in 1968, reflected the large increase in Gross Domestic Investment in that year and rising prices of imports due to the devaluation of the Jamaican currency in November, 1967. The
behavior in 1970 can not be explained by a sharp increase in Gross Domestic Investment but rising cost of imported goods, freight, and insurance played a part. About 55% of the increase in merchandise imports was accounted for by capital goods, about 25% by raw materials and the remaining, 20% by consumer goods, of which food was the most important contributor.

In 1971, the value at current market prices of the Gross National Product was 5.5 per cent higher than in 1970; $1,065.9 million in 1971, compared with $1,010.7 million in 1970. The growth in 1971 was almost half the growth registered for any year in the period, 1967-1971.

The level of Personal Consumption Expenditures at $776.7 million meant an increase of $60.8 million over the revised figures for 1970. This increase is actually larger than that of the overall Gross National Product. The preliminary estimates for 1970 had shown an increase over 1969 of 8.7 per cent, however, the provisional figures have raised the growth to 12.0 per cent for that year. Despite the lower growth on Personal Consumption Expenditure, the growth in imported consumer goods was slightly higher than in 1970, indicating that the import content in consumption expenditures was higher for 1971 than 1970.

The current Purchases of Goods and Services by Government continued to increase substantially, albeit at a slower rate. For the calendar year 1971, the level reached was $153.0 million.
This partly reflects the regrading provisions to increase emoluments for those employed by Government. These additional payments were to spread over the three (3) years. Contributing significantly to the increase of government spending were larger expenditures on social service.

Gross Domestic Investment estimated at $280.0 million in 1971 was 2.6 per cent higher than in the previous year. With the current expansion in investment in Bauxite and Alumina sub-sector nearing completion, approximately 25 per cent of Gross Domestic Investment came from this source compared with approximately 35 per cent in 1970. Other noticeable expenditures on investment were on commercial buildings and in the transport sector.

Export of Goods and Services grew very slowly. These were valued at $457.5 million or 4.1 per cent higher than the 1970 value of $439.3 million. In 1971, the decline in the value of domestic exports was accounted for primarily by the decline in receipts for Bauxite and Alumina. Receipts from other primary products, such as citrus and pimento, were also lower than in 1970. However, small increases in the earnings from sugar, rum and molasses, cocoa, coffee and Manufactured Goods were realised. Exports of services had a substantial growth of 10.8 per cent in 1971; earnings from tourism were again the principal contributor as receipts from this source
rose by 14.9 per cent in 1971. On the other hand, however, imports of goods and services valued at $598.3 million grew by only 7.6 per cent. This was much less than in 1970 when the growth was 13.6 per cent. The growth in merchandise imports was 4.8 per cent. This was primarily due to the reduced imports of capital goods. Imports of consumer goods and raw materials grew more rapidly in 1971 than in 1970.

In 1972, Gross National Product amounted to $1,198.0 million, representing an increase of 9.9 per cent over the revised estimate for 1971. This percentage change in G.N.P. was just equal to the average for the period 1969-1971. "Wages, salaries and other labor income", remained the major component on the source side showing a percentage contribution of 51.7 per cent in 1972, compared with 50.8 per cent in 1969. The rate of growth of wages and salaries during 1972, was 12.0 per cent, the highest rate achieved by this component for the period 1969-1972. Other fast growing components in 1972 were Employers' Contribution to Social Insurance (19.4 per cent), Capital Consumption Allowances (16.2 per cent), Rental Income of Persons (10.9 per cent) and Net Interest (10.6 per cent). Although, "Indirect Taxes Less Subsidies" as a proportion of total G.N.P. seems to be declining slowly and the percentage contribution of Capital Consumption Allowance showed a marginal increase, the data taken as a whole do not reveal a significant

During the year 1972, Personal Consumption increased by $87,544. This is to be compared with an increase of $90,881 during 1971. The components largely responsible for this slight diminution in the absolute and percentage change during 1972, were food (especially among root crops, fruit, vegetable, pulses and fish) transportation and communication.

Government current expenditure increased by 13 per cent in 1972, compared with an increased of 12.8 per cent in 1971. Most of the increase in these years has been due to salary regrading in civil establishment; the remainder is no doubt the result of normal expansion in the context of social and economic development.

Gross Domestic Investment is estimated at $302.9 million in 1972, or $8.8 million above the 1971 provisional estimate. This implies an increase of 3.0 per cent during 1972, compared with 7.6 per cent in 1971. The actual increase in Gross Fixed Capital Formation during 1972 was, however, $9.7 million or $11 million less than the estimated increase in 1971. Net Inventories fell in 1972.

Both Gross Investment and Fixed Capital Formation slowed down in 1972. This resulted from a decrease in net inventories and a slow down in the rate of investment in mining and
manufacturing. As the rate of depreciation accelerated during 1972, this meant a decrease in net capital accumulation during the year.

On the source side of the investment account, net borrowing from abroad continued to provide the major portion of finance for fixed investment, rising to a level of $138,961 in 1972 or 5.8 per cent above the 1971 provisional estimate. However, this increase was substantially less than the 68.4 per cent increase recorded in 1971, reflecting no doubt, the slow down in "enclave" capital formation. Capital Consumption Allowance was the second major source of capital finance in 1972, contributing a total of $96,852, while Undistributed Corporate Profits provided $50,217, a figure that is nearly $7 million less than the 1971 contribution. Government Savings after falling from a relative peak of $51,499 in 1970 to $45,489 in 1971, rose to $47,010 in 1972, while Personal Saving fell from $20,678 in 1970 to ($22,504) in 1971 and ($28,382) in 1972.

The Gross National Product was reported at $1,001.3 million in 1973. This represents a decrease of about 9 per cent.

Personal Consumption expenditures was estimated at $650.0 in 1973. This is a relative increase over the previous
year, 1972, when it was estimated at 158.4. Current Purchases of Goods and Services by Government was recorded at 139.5 million compared with 302.8. This represents a deterioration of growth recorded the previous year.

Gross Domestic Investment was recorded at 280.8 in 1973. The abrupt drop is correlated to extremely low investment in Bauxite and Alumina, quarrying and refining, Manufacturing and Tourism.

Export of Goods and Services suffered a small loss. It was valued at $446.0 million. The decline was accounted for primarily by a decline in receipts for Bauxite and Alumina. Imports of goods and services declined from $639.7 million to $556.1 million.
### TABLE 4
GROSS NATIONAL PRODUCT

<table>
<thead>
<tr>
<th>YEAR</th>
<th>CURRENT PRICE ($ m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>886.5</td>
</tr>
<tr>
<td>1970</td>
<td>981.3</td>
</tr>
<tr>
<td>1971</td>
<td>1065.9</td>
</tr>
<tr>
<td>1972</td>
<td>1198.0</td>
</tr>
<tr>
<td>1973</td>
<td>1001.3</td>
</tr>
</tbody>
</table>

Source: Jamaican Planning Agency

### TABLE 5
COMPONENTS OF GROSS NATIONAL PRODUCT 1969-1973

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Consumption</td>
<td>729,825</td>
<td>829,394</td>
<td>929,698</td>
<td>1,051,709</td>
<td>828,390</td>
</tr>
<tr>
<td>Personal</td>
<td>612,459</td>
<td>689,640</td>
<td>776,743</td>
<td>893,289</td>
<td>650,000</td>
</tr>
<tr>
<td>Government</td>
<td>117,366</td>
<td>139,754</td>
<td>152,955</td>
<td>158,420</td>
<td>139,500</td>
</tr>
<tr>
<td>Gross Domestic Investment</td>
<td>260,692</td>
<td>279,885</td>
<td>279,554</td>
<td>302,871</td>
<td>280,800</td>
</tr>
<tr>
<td>Exports of Goods &amp; Services</td>
<td>362,127</td>
<td>437,046</td>
<td>140,787</td>
<td>481,402</td>
<td>446,000</td>
</tr>
<tr>
<td>Statistical Discrepancy</td>
<td>400</td>
<td>+1,027</td>
<td>-2,563</td>
<td>+1,787</td>
<td>+1,137</td>
</tr>
<tr>
<td>(Minus) Imports of Goods &amp; Services</td>
<td>465,751</td>
<td>566,047</td>
<td>457,481</td>
<td>639,773</td>
<td>556,130</td>
</tr>
<tr>
<td>Gross National Product</td>
<td>886,493</td>
<td>981,305</td>
<td>1,065,902</td>
<td>1198.0</td>
<td>1,001,334</td>
</tr>
</tbody>
</table>

Source: Jamaican Planning Agency
Investment

Crucially as important to any developing economy, next to getting the MNC functional within their realms, is the need to increase investment. Investment is defined by Helppie, Gibbons and Pearson as follows:

Investment is expenditure on new capital goods, such as newly constructed factory buildings and commercial structures, equipment and machinery, and increases in business inventory.  

The Jamaican economy, which for years, had been under the expansionary influence of foreign-finance investment in Bauxite/Alumina, began to feel in 1971, the effects of inevitable leveling off in this sector. Also, with the lag between investment and output availability, there has been a slow down of productive activity, as the cut back in construction activity due in part to industrial unrest, was not off set by increasing production elsewhere.

While all sectors shared the slower rate of advance, the usually leading thrust of mining bauxite was lacking. Investment income sustained minimum growth between 1969-1973. Bauxite received its heaviest dose of investment in 1971 with the building of a plant in Revere. In all other years, other industries made the greatest contribution.

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Although there was a small increase in investment for the early 1970's, this increase was not enough to bring about the necessary improvements in social facilities and services as health, education, training, housing, recreation, social security, and welfare between 1969-1973. The growing demands of the population for these provisions were not fully satisfied.

Therefore, the investment problem may require a little attention. Generally, the profits derived by the large MNC's (Kaiser, Reynolds, Alcan et cetera) are not reinvested in the Jamaican economy where it is most needed. It is siphoned off to the more developed areas, such as the United States in the form of dividends, royalties, and technical fees, where it is used to finance the industrial expansion of the more affluent societies. Referring to an article in the U.S. News, entitled "Why Foreign Investors Turn Their Eyes Toward America", Arnaud De Borchgrave attributes the increased interest in America to the following; "the high returns on investment plus greater confidence in the stable, free markets of the United States. Foreign investors have many doubts about the future of private enterprise and the chances of political stability in their own nations. Therefore, to these individuals, the U.S. represents a secure and growing haven for their funds."10

10Arnaud De Borchgrave, "Why Foreign Investors Turn Their Eyes Toward America," U.S. News, April 1977, p. 92
Most of the capital left in Jamaica, as a result of bauxite production, is left in the control of a small local elite closely tied to foreign capitalist who knows how to consume it in lavish living and knows where to invest it abroad for a good return. According to the API, there are some 170 top bauxite executives in Jamaica. The greatest portion of these managers are expatriates. Barnet and Muller effectively summed up the consequences of a lack of investment and its impact on the Jamaican economy:

Investment generated by past wealth producing activities was not used to maintain, much less to expand, the local economy. The result is a process of wealth depletion which has resulted inevitably in lower consumption for the local population. The net outflow of investment from the undeveloped societies weakens their capacity to develop the knowledge necessary to produce wealth.11

The solutions to the investment problem can be many and varied. Albert Hirshman, a eminent development economist, suggests the direct contribution to output concept. It entails investing available resources in the most profitable sector. This would be bauxite in Jamaica's case. Therefore, increases

---
in aggregate output would lead to greater income which would increase Jamaica's propensity to save, thereby, secreting the means for further growth. In classical macroeconomics, it is the general consensus that the savings and investment equilibrium leads to a "healthy economy". On the other hand, Leibenstein, in his book, *Economic Backwardness and Economic Growth*, suggests that increased investment would result, if in addition to the aggregate output, other factors be considered. Leibenstein made reference to the supply of management, the level of savings, consumption habits, population et cetera. He suggests that special concern must be focused on these factors before any form of investment or development ensues.

**Balance of Payments**

J. L. Hanson defines the balance of payments as follows:

The financial transaction between the domestic economy and the rest of the world. It can be a useful indicator of relative economic activity between countries and point toward pending changes in international value of a nation's currency.\(^{12}\)

Jamaica's total merchandise trade continued to increase at a relative rapid rate, 15.3 per cent in 1969 compared with 21.0 per cent in 1968.

The growth in merchandise export earnings to $213.4 million in 1969 from $183.0 million in 1968 was the most significant increase in the 1960's. The major portion of this increase in earnings came largely from larger sales of alumina and bauxite. Exports of many of the major agricultural products were reduced due to ecological conditions and organizational problems which adversely affected output. Exports of manufactures (particularly to CARIFTA countries) continued to increase.

Imports amounted to $369.4 million in 1969, an increase of $49.0 million or 15.3 per cent on the 1968 total. This rate of increase was considerably lower than the 26.8 per cent in 1968 over 1967. Capital Goods accounted for about 41 per cent of the increase in merchandise trade in 1969, raw material about 21 per cent and consumer goods approximately 38 per cent. The growth of imports of capital goods was associated with continued larger investment in bauxite and alumina, public utilities, land development, highway construction and buildings and in equipment for air and road transport.
Preliminary estimates of the balance of payments for 1969 indicate an overall deficit of $11.5 million compared with a surplus of $28.2 million in 1968.

Preliminary estimates of the balance of payments for 1970 showed an overall surplus of $20.8 million compared with a deficit of 11.2 million in 1969. The overall current account deficit in 1970 was $128.3 million compared with 103.0 million in the previous year.

In 1970, merchandise exports increased by $41.9 million, while merchandise imports rose by $56.7 million, resulting in a rise in the deficit on the merchandise account to $89.2 million. While net earnings from tourism increased slowly, the net outflow of investment income rose by $9.3 million, and the net payments for freight and transportation, by $8.2 million. In consequence, the deficit on the services account rose to $56.2 million in 1970 from 40.5 million in 1969.

Net capital inflows in 1970 were estimated at $149.1 million, an increase of $57.3 million in 1969. These inflows provided financing for the current account deficit and permitted a 21 per cent increase in official reserves.

As in 1970, the Balance of Payments in 1971 showed an overall surplus, in 1971 the surplus was $21.5 million while in 1970 it had been $17.6 million.
In 1971, the Balance of Trade recorded a deficit of $106.7 million, while in 1970 this figure had been $89.2 million. The invisible account showed a deficit of $51.2 million which was more than the $46.0 million of 1970.

The deficit on current account in 1971 increased to $140.6 million from $127.2 million in 1970 but all this was taken care of by capital inflows in the amount of $157.4 million (net).

In 1972, Jamaica’s overall balance of payments was in deficit, with foreign exchanges reserves being run down to the extent of $43.6 million. This was only the second occasion since 1966 that an overall deficit was recorded, the other being 1969 when reserves dipped slightly by $2.1 million.

The main causes in 1972 were the continued growth in the trade deficit, which increased by $20.6 million over 1971 and the decline in capital inflows which fell from $160.2 million in 1971 to $112.4 million in 1972, a drop of $47.8 million.

There was a deficit in the balance of payments in 1973. The balance of payments was reported at (-39.6). The main cause in 1973 was continue growth in the trade deficit and the decline in capital inflows. Balance of Payments for 1969-1973 are provided by the Jamaican Planning Agency.
<table>
<thead>
<tr>
<th>ITEM</th>
<th>1969</th>
<th>1970</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports (f.o.b.)</td>
<td>243.2</td>
<td>285.1</td>
</tr>
<tr>
<td>Imports (f.o.b.)</td>
<td>317.6</td>
<td>374.3</td>
</tr>
<tr>
<td>Merchandise Balance</td>
<td>-74.4</td>
<td>-89.2</td>
</tr>
<tr>
<td>Services (net)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freight &amp; Other Transportation</td>
<td>-37.5</td>
<td>-45.7</td>
</tr>
<tr>
<td>Merchandise Insurance</td>
<td>-3.7</td>
<td>-4.3</td>
</tr>
<tr>
<td>Foreign Travel</td>
<td>+65.4</td>
<td>+66.7</td>
</tr>
<tr>
<td>Investment Income</td>
<td>-72.5</td>
<td>-81.8</td>
</tr>
<tr>
<td>Government Transactions (n.i.e.)</td>
<td>+8.6</td>
<td>+9.5</td>
</tr>
<tr>
<td>Non-Merchandise Insurance</td>
<td>-10.8</td>
<td>-10.4</td>
</tr>
<tr>
<td>Other Services</td>
<td>+10.0</td>
<td>+9.8</td>
</tr>
<tr>
<td>Net Balance on Services</td>
<td>-40.5</td>
<td>-56.2</td>
</tr>
<tr>
<td>Balance on Goods and Services</td>
<td>-114.9</td>
<td>-145.4</td>
</tr>
<tr>
<td>Transfer Payments (net)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private</td>
<td>+14.7</td>
<td>+21.8</td>
</tr>
<tr>
<td>Government</td>
<td>-2.8</td>
<td>-4.7</td>
</tr>
<tr>
<td>Net Transfer Payments</td>
<td>+11.9</td>
<td>+17.1</td>
</tr>
<tr>
<td>Balance on Current Account</td>
<td>-103.0</td>
<td>-128.3</td>
</tr>
</tbody>
</table>

Source: Jamaican Planning Agency
### TABLE 7

**CURRENT ACCOUNT: 1971-1972**

<table>
<thead>
<tr>
<th>ITEM</th>
<th>1971 NET</th>
<th>1972 NET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise</td>
<td>-108.2</td>
<td>-121.0</td>
</tr>
<tr>
<td>Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freight and Insurance</td>
<td>-51.4</td>
<td>-59.2</td>
</tr>
<tr>
<td>Other Transportation</td>
<td>-57.8</td>
<td>-62.3</td>
</tr>
<tr>
<td>Travel</td>
<td>8.2</td>
<td>8.0</td>
</tr>
<tr>
<td>Investment Income</td>
<td>-85.7</td>
<td>-100.6</td>
</tr>
<tr>
<td>Government (not included elsewhere)</td>
<td>10.5</td>
<td>10.4</td>
</tr>
<tr>
<td>Other Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Non-Merchandise Insurance</td>
<td>3.8</td>
<td>-6.1</td>
</tr>
<tr>
<td>2) Other</td>
<td>11.4</td>
<td>-15.2</td>
</tr>
<tr>
<td>7.6</td>
<td></td>
<td>9.1</td>
</tr>
<tr>
<td>Transfer Payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private</td>
<td>17.3</td>
<td>19.5</td>
</tr>
<tr>
<td>Official</td>
<td>21.8</td>
<td>24.8</td>
</tr>
<tr>
<td>Total Current Account</td>
<td>-142.3</td>
<td>-160.7</td>
</tr>
<tr>
<td>Net Capital Movements</td>
<td>160.2</td>
<td>112.4</td>
</tr>
<tr>
<td>Official</td>
<td>4.0</td>
<td>17.6</td>
</tr>
<tr>
<td>Private</td>
<td>156.2</td>
<td>94.8</td>
</tr>
<tr>
<td>Allocation of SDRs</td>
<td>4.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Net Errors and Omissions</td>
<td>13.7</td>
<td></td>
</tr>
<tr>
<td>Total Current and Capital Transactions</td>
<td>36.3</td>
<td>-43.6</td>
</tr>
<tr>
<td>Foreign Exchange Reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holdings of SDRs</td>
<td>132.2</td>
<td>88.6</td>
</tr>
<tr>
<td>Reserve Position in the IMF</td>
<td>10.6</td>
<td>5.8</td>
</tr>
<tr>
<td>Bank of Jamaica</td>
<td>11.0</td>
<td></td>
</tr>
<tr>
<td>Central Government</td>
<td>110.2</td>
<td>107.9</td>
</tr>
<tr>
<td>Other Official Institutions</td>
<td>1.6</td>
<td>2.2</td>
</tr>
<tr>
<td>Government Savings Bank</td>
<td>6.6</td>
<td>4.0</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td></td>
<td>23.1</td>
</tr>
<tr>
<td>Less: Commercial Banks Liabilities</td>
<td>-24.4</td>
<td>-54.6</td>
</tr>
<tr>
<td>Other Assets - Statutory Sinking Funds</td>
<td>10.8</td>
<td>12.6</td>
</tr>
<tr>
<td>Total Foreign Assets</td>
<td>143.0</td>
<td>101.2</td>
</tr>
</tbody>
</table>

Source: Jamaican Planning Agency
TABLE 8
BALANCE OF PAYMENTS
1973

<table>
<thead>
<tr>
<th>ITEM</th>
<th>1973</th>
<th>($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Merchandise</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports (f.o.b.)</td>
<td></td>
<td>-161.2</td>
</tr>
<tr>
<td>Imports (f.o.b.)</td>
<td></td>
<td>357.2</td>
</tr>
<tr>
<td>B. Services (net)</td>
<td></td>
<td>518.4</td>
</tr>
<tr>
<td>Foreign Travel</td>
<td></td>
<td>-27.1</td>
</tr>
<tr>
<td>Investment Income</td>
<td></td>
<td>90.4</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>-52.8</td>
</tr>
<tr>
<td>C. Goods &amp; Services (net)</td>
<td></td>
<td>-64.7</td>
</tr>
<tr>
<td>D. Unilateral Transfer (net)</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Private</td>
<td></td>
<td>24.0</td>
</tr>
<tr>
<td>Official</td>
<td></td>
<td>30.7</td>
</tr>
<tr>
<td>Current Account Balance</td>
<td></td>
<td>-6.7</td>
</tr>
<tr>
<td>E. Net Capital Movements</td>
<td></td>
<td>-164.3</td>
</tr>
<tr>
<td>Official</td>
<td></td>
<td>124.7</td>
</tr>
<tr>
<td>Private</td>
<td></td>
<td>33.4</td>
</tr>
<tr>
<td>F. Change in Reserves (1)</td>
<td></td>
<td>91.3</td>
</tr>
<tr>
<td>Adding of SDR's</td>
<td></td>
<td>-39.6</td>
</tr>
<tr>
<td>Reserve position in IMF</td>
<td></td>
<td>27.7</td>
</tr>
<tr>
<td>Government</td>
<td></td>
<td>-0.3</td>
</tr>
<tr>
<td>C.D.F.</td>
<td></td>
<td>-0.4</td>
</tr>
<tr>
<td>Bank of Jamaica</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Other Banks</td>
<td></td>
<td>27.2</td>
</tr>
<tr>
<td>G. Net Errors &amp; Omissions</td>
<td></td>
<td>1.2</td>
</tr>
</tbody>
</table>

Source: Bank of Jamaica  (1) an minus sign denotes an increase.
CHAPTER II

THE POST-NATIONALIZATION ERA

Before attempting to delineate on what is conceived to be the Post-Nationalization Era in Jamaica, it is essential, in order to cover the proposed objectives, again to scrutinize employment, Gross National Product, Investment, and Balance of Payments, and the impact Bauxite and the Multinational Corporation have on these major economic indicators.

The intent of this chapter is to show how the Multinational Corporations, in bauxite production, affected development after the signing of the Bauxite Production Levy Act, in May 1974. Special concern will be directed at accessing the advances made during the Post-Nationalization Era. The hypothesis implicit throughout my analysis of the Post-Nationalization Era is that vast improvements in Jamaica's economic growth materialized. This is evident by the vast improvements in Gross National Product, Government Revenue, and the Balance of Payments. There was, however, infinitesimal improvements in development emanating from the Bauxite Production Levy Act of 1974.
The Bauxite Production Levy Act 1974

The Government of Jamaica and Alcoa Minerals of Jamaica, a subsidiary of Alumina Company of America, announced that they will form a joint mining and refining venture.

In a ceremony at the Jamaica House, the Prime Minister, the Honorable Michael Manley, and other Ministers and Officials, signed agreements on behalf of the Government and Mr. W. H. Krome-George, Chief Executive of Alcoa, and other Company executives, signed for Alcoa.

Under the agreements, Jamaica has acquired 51 per cent of Alcoa's Jamaican mining operations. This is in accordance with the Government's previously announced intention of buying back 51 per cent of all mining assets owned by bauxite companies in Jamaica. The acquisition includes all of Alcoa's mining lands amounting to 7,000 acres. Ore reserves will be released to the company for mining as required.13

However, based on a formula suggested by the Government, its share of the mining operation has converted into a 6 per cent shareholding in Alcoa's entire Jamaican assets, including the alumina processing plant at Halse Hall in Clarendon. The 550,000-ton plant, which now has a current estimated replacement value of $300 million, is one of the most modern in the industry.

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and is designed for periodic expansion in capacity up to a maximum of 1.65 million tons.

The agreement according to the Daily Gleaner, entitles either party to undertake expansion of the existing plant separately or jointly; hence the Government has the opportunity to acquire majority ownership in an expanded venture. If, for example, the Government undertakes a 600,000-ton expansion, it would achieve majority ownership. Initially, Jamaica will have two members on the seven-man Executive Committee of the joint venture which is renamed JAMALCO. Jamaica's membership on the Executive Committee will increase in accordance with its shareholding in the company.

The Government's equity and land acquisition have been purchased at book value and will be paid for over nine years.

The agreements cover a period of 40 years and under the terms, Alcoa will withdraw proceedings against Jamaica filed with ICSID when the production levy was imposed in 1974. The company will pay a production levy fixed at 7-1/2 per cent of the annual average realized price of aluminum ingot. This rate will remain until December 31, 1983, before a fresh review.

In other major points of agreement, the company has been granted a special mining lease of 40 years bauxite requirements based on the present capacity of the processing plant with provision for expansion.
The Prime Minister, Mr. Manley, described the Jamaica agreement as an important joint venture that gives Jamaica an opportunity for majority ownership in an expanded alumina plant in the future while retaining its stated principle of 51 percent ownership in mining operations.

**Employment**

According to the Agency for Public Information, some 9,500 persons were employed by the bauxite and alumina Multinational Corporations in Jamaica, in 1975.\(^{14}\) Approximately, 1,800 people are employed by the major Multinational Corporations, (Kaiser and Reynolds), which only mine and ship raw bauxite. Of this number, a small percentage are non-nationals. The mining and shipment aspects of the industry are the only segments fully managed and operated by Jamaicans. As of 1975, the (API) reports that some 170 expatriates, (non-Jamaicans) are employed in four major Multinational Corporations engaged in bauxite and alumina production in Jamaica. The breakdown by sector is provided in Table 5.

TABLE 9
ANNUAL EMPLOYMENT IN BAUXITE
AND RELATED INDUSTRIES

<table>
<thead>
<tr>
<th>INDUSTRY</th>
<th>1975</th>
<th>1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining, Processing and Related Activities</td>
<td>6606</td>
<td>N/A</td>
</tr>
<tr>
<td>Construction</td>
<td>1480</td>
<td>N/A</td>
</tr>
<tr>
<td>Agriculture &amp; Agricultural Processing</td>
<td>1414</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>9,500</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: Jamaica Planning Agency

In comparing the statistics for 1975 to those of the Post-Nationalization Era, it is obvious that there was a relative decrease in the number of workers in all areas of the bauxite industry. (See Table 1). The overall number employed, in general, dropped by 219 jobs from 9,719 in 1972 to 9,500 in 1975.

The overall deduction in jobs is attributed to a variety of reasons.

1) The construction slowdown is a major inhibiting factor. There was no new construction of Bauxite facilities by major Multinational Corporations in Jamaica. Construction constitutes approximately 16 per cent of total
2) The economic instability characterizing Jamaica had an adverse impact on jobs. The lack of demand for bauxite abroad led to cut-backs in production, which inevitably resulted in lay-offs in mining and processing of bauxite. Another point that should be mentioned is the increased competition from major Australian, Japanese, and European Multinational Corporations in Bauxite Production.

3) The political instability is another factor contributing to the employment problem in Jamaica. Prime Minister Michael Manley's sudden switch to Democratic-Socialism left the Multinational Corporations at a stalemate, that is, by placing a potential freeze on jobs, according to the Agency for Public Information.

4) The lack of technical and/or managerial training was still reported below par by the Jamaican Planning Agency.

5) The calibre of capital intensity inherent in contemporary Multinational Corporations in Bauxite Production has led to additional unemployment.

**Gross National Product**

The Jamaican Gross National Product showed an abrupt increase between 1974 and 1975. However, there was only a moderate gain in the Gross National Product between 1975 and 1976. The GNP figures were provided by the Jamaican Central
Planning Agency, and they are provided in Table 9.

**TABLE 10**

**JAMAICA'S GROSS NATIONAL PRODUCT**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>GROSS NATIONAL PRODUCT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974</td>
<td>2210.7</td>
</tr>
<tr>
<td>1975</td>
<td>2600.7</td>
</tr>
<tr>
<td>1976</td>
<td>2700.2</td>
</tr>
</tbody>
</table>

Source: The Jamaica Embassy

The impact of bauxite on Gross National Product can be better evaluated by focusing on the bauxite production activities, since the signing of the Production Levy Act of 1974.

The total output of bauxite ore for 1975 was 11.38 million long tons or 25 per cent below the 1974 output of 15.08 million tons and 19 per cent below the minimum production of 14 million tons stipulated by the Production Levy Act.

Major Multinational Corporations reported a decrease in total output of kiln-dried ore. There was a decline from 7.87 million tons— in 1975, a fall of over 31 per cent to 5.39 million long (dry) tons in 1974. Throughout the year the bauxite exporting companies operated at an average of 67 per cent of production capacity.
Bauxite processed locally fell to 5.99 million long tons which was 53 per cent of total bauxite production and 17 per cent below the 7.2 million ton processed in 1974.

**TABLE 11**

**BAUXITE PRODUCTION AND EXPORTS: 1971-1975**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>EXPORTED</th>
<th></th>
<th></th>
<th>PROCESSED</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity (000 tons)</td>
<td>Per cent of Total Production</td>
<td>Value</td>
<td>Quantity (000 tons)</td>
<td>Per cent of Total Production</td>
<td>Total Production (000 tons)</td>
<td></td>
</tr>
<tr>
<td>1971</td>
<td>7,590</td>
<td>62.0</td>
<td>75,890</td>
<td>4,654</td>
<td>38.0</td>
<td>12,244</td>
<td></td>
</tr>
<tr>
<td>1972</td>
<td>7,049</td>
<td>57.1</td>
<td>68,375</td>
<td>5,292</td>
<td>42.9</td>
<td>12,341</td>
<td></td>
</tr>
<tr>
<td>1973</td>
<td>7,273</td>
<td>54.3</td>
<td>79,500</td>
<td>6,112</td>
<td>45.6</td>
<td>13,385</td>
<td></td>
</tr>
<tr>
<td>1974</td>
<td>7,873</td>
<td>52.0</td>
<td>134,745</td>
<td>7,212</td>
<td>48.0</td>
<td>15,085</td>
<td></td>
</tr>
<tr>
<td>1975</td>
<td>5,396</td>
<td>47.3</td>
<td>98,109</td>
<td>5,991</td>
<td>52.7</td>
<td>11,388</td>
<td></td>
</tr>
</tbody>
</table>

Source: Economic Survey of Jamaica

Despite the depressed market for metal, world aluminum list price remained firm. In the United States, the first list price of 99.5 per cent ingot remained at 39 cents per pound until August 11th, when major Multinational Corporations increased the price by 2 cents per pound where it remained at the end of the year.
The world economic recession and its effect on the international market for aluminum led to small cutbacks in production and expenditures by the Multinational Corporations operating in Jamaica early in 1975. By mid-year, there were larger cutbacks of the order 20-25 per cent against the deepening recession and growing inventories of bauxite-alumina-aluminum producers of the United States.

During the last two quarters of the year the industry was further affected by internal problems namely, the closure of the Revere Plant at Maggotty, the prolonged strike of the Bwarton Plant at Alcan Jamaica Limited and a production slowdown, at the other companies as new wage contracts with unions were negotiated. It is for these reasons that the alumina producers operated at the average of only 70\% of production capacity and bauxite producers at 67 per cent of capacity during 1975.

**Contribution of Bauxite to GNP**

The local economy experienced set-backs as a result of the decline in bauxite and alumina production for the year.

Government revenue from royalties declined by 24 per cent from $7.1 million (1974) to $5.4 million while payments from the Production Levy declined 4.5 per cent from $144.4 million in 1974 to $137.9 million (1975). This decline would have been greater, but for the fact that the Production Levey is pegged
to the market price of aluminum ingot, and to the stipulated minimum production of the Production Levy Act of 1974.

**TABLE 12**

PAYMENTS OF BAXITE AND ALUMINA COMPANIES TO GOVERNMENT: 1971-1975

<table>
<thead>
<tr>
<th>YEAR</th>
<th>ROYALTIES</th>
<th>PRODUCTION LEVY</th>
<th>OTHER TAXES</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971</td>
<td>2,642.0</td>
<td></td>
<td>8,732</td>
<td>42,966</td>
</tr>
<tr>
<td>1972</td>
<td>3,187.6</td>
<td></td>
<td>11,122.3</td>
<td>35,636</td>
</tr>
<tr>
<td>1973</td>
<td>3,471.5</td>
<td></td>
<td>16,566.6</td>
<td>41,037</td>
</tr>
<tr>
<td>1974</td>
<td>7,106.0</td>
<td>144,400.0</td>
<td>23,406</td>
<td>174,912</td>
</tr>
<tr>
<td>1975</td>
<td>5,409.0</td>
<td>*137,900</td>
<td>22,353</td>
<td>165,662.1</td>
</tr>
</tbody>
</table>

*Includes payments for corporate income tax.

Source: Jamaica Planning Agency

There was great improvements in the Gross National Product statistics during the post-nationalization era. These improvements can be attributed to specifications entailed in the Bauxite Production Levy Act of 1974. It grants the Jamaican Government 6 per cent shareholdings in Bauxite extracting Multinational Corporations in Jamaica. In addition, the government benefited from a 7 1/2 per cent tax on bauxite and aluminum ingot.
Despite the reduced production level, bauxite exported increased during the post-nationalization era. This was another source contributing to the growth in the Gross National Product. Therefore, the nationalization of bauxite did have significant impact on Gross National Product in the form of additional government revenue. However, the revenue generated in 1975 still was not adequate to bring about the social changes greatly needed by Jamaica.

**Investment**

The dramatic reduction in local bauxite and alumina production and export during 1975, was attributable to peculiar factors which affected the industry on the international market for alumina and aluminium products, as well, as to the state of domestic industrial relations.

Early in 1975, major U.S. Multinational Corporations introduced cutbacks in the production of aluminium in the wake of accumulating inventories brought about by a decline in demand since the last quarter of 1974.

According to the Jamaica Planning Agency, the exact extent of total foreign investment in the country is not known, but investment by 120 United States firms operating in Jamaica was estimated at US $1 billion in 1974, about US $700 million was invested in bauxite and alumina facilities. Another US $100
million was believed to be invested in the bauxite industry by non-United States firms.

Generally, foreign investment had been welcomed, particularly in manufacturing, but Prime Minister Manley claimed in 1972, after his election, that the policy of his government would be to regulate investment so as to extract the maximum benefits for Jamaica. One example of this policy is that foreign banks and insurance companies must eventually, through time tables established by themselves, transfer controlling interest to Jamaica.

Another example is the renegotiation of royalty contracts with the bauxite companies. This led to the Bauxite Production Levy Act. Prime Minister Manley commented on Jamaica's Foreign Investment Policy during one of his recent visits to New York City, on October 27, 1977. Prime Minister Manley said "Jamaica believed it to be in the best interests of the foreign investors to proceed on the basis either of immediate cooperative joint ventures, or where clear options for local participation are provided from the outset". Mr. Manley added, in short, "we believe that the guest investor proceeds most harmoniously and therefore, most successfully when he is in partnership with his host. Last but not least, we recognize absolutely both the need for and the legitimacy of just adequate profit".15

15 "Jamaica Newsletter", The Embassy of Jamaica, November 1977
Balance of Payments

The country's balance of payments has fluctuated in recent years. There was a surplus in 1974, according to preliminary estimates and a deficit in 1975. Generally, there is a negative balance in the foreign trade accounts. Imports have been rising much faster than exports since 1967. Coupled with government action to alleviate balance of payment pressure, the rising prices for bauxite and sugar exports were primarily responsible for the surplus (69.3) in the balance of payments in 1974, (See Table 13, p. 46).

There has been a dramatic improvement in the balance of trade and balance of payments position of Jamaica during the first six months of 1977 compared with the first six months of 1976.

Preliminary figures show that the balance of payments deficit was cut by J$149 m.; that is, from J$168 m., for the first six months of 1976 to J$19 m., for the corresponding period of 1977.

The trade gap for the first six months of 1977 also narrowed dramatically when compared with 1976, having been reduced from J$134 m., to just under J$3.4 m.

These results which have been achieved by a combination of the measures taken by the government to restrain and discourage imports and by increased exports, indicate that the country is making satisfactory progress in its economic re-
construction.

Imports for the six month period of 1977 were held to within 50% of the full years' import target set by the Jamaican Government, while exports the second half of the year U.S. MNC's were operating at only 74 per cent of capacity resulting in a 20 per cent decrease in output during 1975 compared with 1974. Inventory accumulation at the producer level increased so sharply for the first six months of 1975 (but leveled off by the end of the third quarter) that net shipments of ingot were expected to fall by 30% below the 1974 level.

By mid-1975, European and Japanese MNC's also found themselves with huge inventories which necessitated their making drastic reduction in output: some companies operated as low as 50-60 per cent of production capacity.

The balance of payment statistics for 1973-1975 are provided in Table 13.
### TABLE 13
BALANCE OF PAYMENTS SUMMARY, 1973-1975

<table>
<thead>
<tr>
<th>ITEM</th>
<th>1973</th>
<th>1974</th>
<th>1975*</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Merchandise</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports (f.o.b.)</td>
<td>357.2</td>
<td>630.7</td>
<td>736.7</td>
</tr>
<tr>
<td>Imports (f.o.b.)</td>
<td>518.4</td>
<td>737.6</td>
<td>881.5</td>
</tr>
<tr>
<td>B. Services (net)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Travel</td>
<td>90.4</td>
<td>88.6</td>
<td>69.3</td>
</tr>
<tr>
<td>Investment Income</td>
<td>-52.8</td>
<td>-61.5</td>
<td>-93.5</td>
</tr>
<tr>
<td>Other</td>
<td>-64.7</td>
<td>-93.3</td>
<td>-111.8</td>
</tr>
<tr>
<td>C. Goods &amp; Services (net)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. Unilateral Transfer (net)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private</td>
<td>24.0</td>
<td>21.3</td>
<td>23.8</td>
</tr>
<tr>
<td>Official</td>
<td>-6.7</td>
<td>-8.3</td>
<td>4.7</td>
</tr>
<tr>
<td>Current Account Balance</td>
<td>-164.3</td>
<td>-151.8</td>
<td>-257.0</td>
</tr>
<tr>
<td>E. Net Capital Movements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Official</td>
<td>30.7</td>
<td>29.6</td>
<td>19.1</td>
</tr>
<tr>
<td>Private</td>
<td>91.3</td>
<td>139.2</td>
<td>77.0</td>
</tr>
<tr>
<td>Balance of Payments</td>
<td>-39.6</td>
<td>69.3</td>
<td>-67.1</td>
</tr>
<tr>
<td>F. Change in Reserves (1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adding of SDR's</td>
<td>-0.3</td>
<td>1.5</td>
<td>1.1</td>
</tr>
<tr>
<td>Reserve position in IMF</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>-0.4</td>
<td>2.9</td>
<td>-3.4</td>
</tr>
<tr>
<td>C.D.F.</td>
<td></td>
<td>-9.0</td>
<td>-19.3</td>
</tr>
<tr>
<td>Bank of Jamaica</td>
<td>27.2</td>
<td>-40.2</td>
<td>93.1</td>
</tr>
<tr>
<td>Other Banks</td>
<td>1.2</td>
<td>-10.7</td>
<td>2.1</td>
</tr>
<tr>
<td>G. Net Errors &amp; Omissions</td>
<td>11.9</td>
<td>-15.2</td>
<td>-6.5</td>
</tr>
</tbody>
</table>

Source: Bank of Jamaica

*Provisional - check for final

(1) A minus sign denotes an increase.
The Consequences of Nationalization of the Bauxite Industry

A comparison of the data presented during the pre-nationalization era vis-a-vis the post-nationalization era, clearly indicates that no real advantages accrued to the masses of Jamaican inhabitants. As a matter of fact, employment was down. The Gross National Product increased only moderately. The investment level was down due to the "instability" of the Jamaican economy. In addition, Jamaica suffered a deficit in its balance of payments since 1975.

The level of production activity increased in 1974, but was decreased in 1975 due to poor economic conditions locally, as well, abroad.

Consequently, there was no improvements in social facilities and services as health, education, training, housing, recreation, social security, and welfare emanating from the nationalization of bauxite.

The nationalization era did, however, bring with it the implementation of a new form of government. Prime Minister Manley proclaimed an end to small imperialist government and the beginning of an era of Democratic-Socialism. Francis Fitzgerald in an article entitled, "Jamaican Limbo" describes Manley's democratic-socialism as being closely aligned with British socialism rather than with the Cuban variety. The objectives
of Prime Minister Manley's new interim government are:

"the implementation of social reform measures that includes free education, subsidies for housing, land reform, a minimum wage, and various job corps programs."

Therefore, nationalization of bauxite brought with it sustained "growth" for the Jamaican economy. This is reflected in the Gross National Product, Government Revenue and the Balance of Payments during the Post-Nationalization Era.

Preliminary estimates of the Jamaican Planning Agency reports no major changes in the development of Jamaica stemming from the nationalization of bauxite. Consequently, nationalization meant very little to the masses of the Jamaican inhabitants, who are in desperate need of social and economic changes.

In conclusion, nationalization of bauxite did affect the growth of the Jamaican economy. However, it did very little for development.

\[\text{Francis Fitzgerald, "Jamaican Limbo" Harper Magazine (July 1977) p. 13}\]
CHAPTER III

THE GOALS OF THE MNC AND THIRD WORLD COUNTRIES

The Multinational Corporation has through the decades penetrated the realms of Third World Countries marshalled by a dynamic, complex, and sophisticated character. Through the years, the United States and Canadian Multinational Corporations have been welcomed with open arms on Jamaican soil. It is widely accepted that the Multinational Corporations are needed as stated by Barnet and Muller as they indicate the impact of this corporate power on the lives of the Jamaican people.

The Multinational Corporations will bring healthier, happier, and more productive lives to people everywhere.

Therefore, with this in mind, it is crucial that some attempt be made to define the goals of the Multinational Corporations and those of Third World Countries. The objective is to show that Jamaica is deriving minimum benefits from the activities of the Multinational Corporations in its domain, in addition, to that of showing that the goals of the Multinational Corporation and Third World Countries are conflicting.

The goals of the Multinational Corporation as defined by Barnet and Muller in Global Reach are as follows:17

1) Worldwide profit maximization
2) Reduction or Elimination of the tax burden
3) Utilization of Cheap-labor resources
4) Utilization of cheap sources of raw materials
5) Increased level of productivity
6) Growth

Equally as important, the Third World Countries have certain goals which prompts immediate concern. The underdeveloped countries strive to accomplish the following goals, according to Barnet and Muller in *Global Reach*.18

1) The improvement of socio-economic conditions for the masses.
2) The need to increase investment or generate adequate finance capital by both domestic and foreign investors.

No attempt will be made to determine which preempts the other in importance, the goals of the MNC or Third World Countries. There would, however, be minimum disagreement that Third World Countries are in grave social and economic disparity. But by actually comparing the goals of the Multinational Corporation and those of the underdeveloped countries, there is adequate evidence to illustrate that Jamaica is deriving minimum benefits from the Multinational Corporations activities in Bauxite.

According to extracts from the Jamaican Central Planning Agency:

1) There were fewer jobs between 1971 and 1975 in the Bauxite Industry. (See Chapter I and II). There was a reduction in the bauxite labor market of approximately 2,129 jobs. This reduction was due in part to the closing of the Revere Plant and the technological composition of operating Multinational Corporations.

2) Jamaica has a low gross national product. in 1976, the GNP was reported by the Jamaican Planning Agency at 2,700.2 (thousand $). This was only a 489.5 increase over the 1974 figure (See Chapter II, Table 10 - p. 38)

3) Lower taxes were collected before the Production Levy Act was introduced in 1974. Total taxes collected in the Fiscal Year (1972 according to the Jamaican Planning Agency) was 11,122.3 ($000). This was $2,390.3 more than that collected in the previous year.

The mass of information provided so far is clear evidence of the unhappy fact that the development trend pursued by the Multinational Corporation is more aligned to the exacerbation of World poverty, world unemployment, and world inequality than to their solution.

In light of conventional development wisdom, the fore-mention accusations may be irresponsible. After all, the Multi-national Corporation does produce and assimilate goods, capital and technology in Third World Countries. The Multinational
Corporations do contribute to a rise in overall economic activity. Multinational Corporations do employ thousands of workers, often paying more than the prevailing wage. However, most poor countries, such as Jamaica, appear to be so eager to attract the Multinational Corporations and so eager to create a good "investment climate" for them, that they are generous with tax concessions and other advantages.

Therefore, if the Multinational Corporations are indeed really spreading poverty, unemployment, and inequality in Jamaica and other Third World Countries, why would the Multinational Corporation be welcomed? Barnet and Muller adequately addresses this question in Global Reach.

The negative impact of the Multinational Corporation in the deterioration of living standards, employment rates, and economic justice around the world has occurred despite the fact that many corporate officials would like it to be otherwise and believe that it can be the unfortunate role of the Multinational Corporation in maintaining and increasing poverty around the world is due primarily to the dismal reality that the Multinational Corporation and poor countries have different, indeed conflicting, interest, priorities, and needs. This is a reality that many officials of underdeveloped countries, lacking alternative development strategies, prefer not to face.19

The primary interest of the Multinational Corporation is worldwide profit maximization. Realistically speaking, it is by

far more advantageous for the entrepreneurs of major Multi-
national Corporations to divert income from Jamaica and report
the greatest possible profits or returns to its shareholders
rather than to become "good corporate citizens". Therefore,
Multinational Corporations in Bauxite are not charity nor
welfare organizations and should not be viewed as such.

The claim that the increased technical make-up of the
Multinational Corporation in Bauxite creates jobs is a myth.
Barnet and Muller clarifies this point.

The one characteristic of the Multi-
national Corporation technology with
the most devastating consequences for
poor countries is that it destroys jobs". 20

Barnet and Muller elucidates on how the job destruction
process occurs.

The sort of technology that the Multi-
national Corporation exports to poor
countries is capital intensive and labor-
saving, because that is what they have
developed in the United States as a
response to high labor costs. Instead
of making efficient use of the manpower
of the undeveloped world, however, such
transferred technology tends to convert
their human resources, which are their
highest assets, into social liabilities. 21

20 Ibid., p. 166
21 Ibid., p. 166
Consequently, the vast unemployed labor force becomes a pool of cheap-labor utilized by the Multinational Corporation.

Bearing all of the forementioned in mind, the improvement of socio-economic standards for the masses is impossible simultaneously with limited tax collected, the technological advances of the Multinational Corporation which has led to increased production and ultimately increased lay-off in bauxite production. In addition, investors are not likely to make investments in an economy as unstable as Jamaica. Some problems currently faced by Jamaica are discussed by Francis Fitzgerald in an article entitled, "Jamaican Limbo."

Inspite of the government's assurance to private enterprise, the capitalist part of the economy seemed to be folding up. The tourist industry has suffered major set-backs in the year of violence. Bauxite production was way down (owing the companies said to industrial accidents and the recession in the United States). No foreign commercial loans were available and businesses were slowing down or going bankrupt. Prices for agricultural products were off, and Inspite of government subsidies agricultural productivity seemed to be continuing its historical decline. 22

Obviously, Jamaica is in serious socio-economic posture.

Therefore, some efforts will be exerted to derive a viable investment model in an attempt to resolve Jamaica's investment

problems. Investment is defined as the expenditure on new capital goods, such as newly constructed factory buildings and commercial structures, equipment and machinery, and increase in business inventories.

The question of investment can best be addressed by studying the many growth theories that have developed over the ages. A general theory of growth should be "neutral" with respect to the economic system, but as Albert Hirshman has pointed out, they are often "primarily relevant to the conditions under which they were conceived". In Jamaica, like other underdeveloped countries, financial institutions (Banks, and other financial intermediaries) themselves are "underdeveloped". Therefore, a single injection of investment is not likely to lead to self-sustained growth, and Jamaica can not expect to rely on loans from the World Banks indefinitely. According to Richard Miernyck, "capital goods must be imported, at least initially, and this can have adverse effects on the country's balance of payments".

The matter of the timing of investment is also important. There are two broad views among development economist about how the investment process should proceed in an economically backward country. The approaches have been labeled the "balance" and the "unbalanced" growth doctrines.

Balance growth states that everything in an underdeveloped economy should grow together. All of the broad sectors of the
economy—agriculture manufacturing, the trades and services—should expand "in step", primarily to avoid supply problems. Major investments should not be made in a single sector. In this form the doctrine of balanced growth has come to be known as the theory of the "big push". To be successful balance growth would require major shifts in the occupational structures of a less-developed country. Workers displaced by rising productivity in some sector agricultural for example would have to be absorbed by other sectors.

Unbalanced growth theory uphold the belief that investment should not be spread across the board, but should be concentrated in specific industries or sectors. Initially, these should be in activities in which the country has a relatively high comparative advantage.

Advocates of the unbalance growth theory feel that economic planning will be more successful if it is not divorced entirely from the market mechanism.

Albert Hirshman analyzed the problem of investment in developing countries. Hirshman states,

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Development is held back primarily by the difficulties of channeling existing or potentially existing savings into available productive investment opportunities, i.e. by a shortage of the ability to take and carry out development decisions.  
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In addition, there is a lack of other investment inducing factors, such as adequate technical education, organizational know how, presence of enterprising minorities et cetera.

Hirshman prescribes the following to stimulate investment: 24

1) The entrepreneurial and managerial abilities are there, but the community does not produce a sufficient amount of savings to employ these abilities fully.

2) The transition from the point where growth-limiting factors turns from ability to invest into the supply of savings, should not be considered as a turning point. Nevertheless, the coming of this transition may mean that the country will from then on have to follow a slower expansion path unless it takes special measures that range from the procurement of larger-scale foreign capital imports to fiscal and monetary reforms as well as to the forcible compression of mass consumption.

In conclusion, Hirshman describes investment as being a many-sided actor on the economic scene. Its simultaneous performance as income-generator and capacity-creator is the foundation of modern growth theory. The third role is that of pace-setter for additional investments. That is, investment increases capacity and if the economy expands in such a way as to accommodate this capacity, the additional income based on the increased capacity will result in more savings which, in turn, allow additional investment.

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24 Ibid., p. 38
Therefore, the complementarity effect is the essential mechanism by which new energies are channeled toward the development process and through which the vicious circle that seems to limit investment can be broken. Although, the complementarity effect will lose importance as the economy reaches higher levels of development. New Investment, according to Hirshman, no longer leads necessarily to a chain to related new investment once the economy is well rounded.
CHAPTER IV

THE ROLE OF EDUCATION AND TRAINING TO ACHIEVING DEVELOPMENT

The Multinational Corporation in Bauxite has become an agent of change in Jamaica's economic status. The Multinational Corporation has become more capital intensive, therefore, having an adverse effect on employment. It is, therefore, necessary to concentrate on this problem in an attempt to derive a viable solution.

The hypothesis is that massive formal and technical education and training of the poor is necessary to keep pace with the high degree of capital intensity characterizing the Multinational Corporation.

The Jamaican economy may be most conveniently regarded as a modified plantation-type economy. According to George Beckford, in Persistent Poverty, "the sugar plantation became the typical unit of production from the seventeenth to the early nineteenth centuries." With the discovery of bauxite, Jamaica began to become more industrialized thus changing the entire character of the export commodity industry.

Industrialization in Jamaica, like other Third World

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25 George Beckford, Persistent Poverty (New York: Oxford University Press, 1972) p. 44
Countries, has characteristics that should be stressed to better understand the development problem. These characteristics are extracted from Stacey Widdicombe's book, entitled *The Industrial Development Corporation in Jamaica*; 26

1) The economy of a small nation tends to be less diversified than that of a large nation. In other words, there are not the varieties of industries in small nations that one finds in most larger nations. The few exceptions are Switzerland, Finland, and Norway.

2) The industries in small nations are likely to be less specialized than industries in large nations. In other words, many rather than few types of products tend to be produced within each firm. This same situation may be seen in service industries which also tend to be more generalized than specialized.

3) Industries tend to be fewer within each field in a small country; the character of competition is frequently different and tends to be more monopolistic.

4) Foreign trade is of more importance in the economics of small countries than in the large.

5) The small nations tend to have fewer qualified persons to carry out industrialization programs as planners, entrepreneurs, managers, engineers, supervisory personnel, and technically trained workmen.

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6) The small nations tends to have a low rate of domestic capital formation because of capital drains to the larger countries.

Industrialization has been widely accepted as a requirement for development in Jamaica. Only by substantially increasing the level of industrial activity can Jamaica, in its over-populated state, hope to absorb their rapidly expanding labor force and at the same time increase the population level of living. But, this has detrimental consequences on employment.

The levels of unemployment and underemployment are high and are in part a result of the rapid growth of population. Unemployment is particularly high in the case of women and young persons, and there are serious difficulties facing school-leavers in regard to obtaining employment. A surplus of unskilled workers exists alongside a serious shortage of skilled workers. Paradoxically in many farming areas, the supply of labor offering itself for work is low. This is due to a strong reluctance on the part of many persons to undertake agricultural work at low wage levels and with no continuity of employment, in conditions which are hardly an inducement. In the absence of a sufficient amount of employment opportunities at adequate wages, it was reported by the Jamaican Planning Agency that large numbers of persons engaged in own-account work on uneconomic farm holdings, or in petty trading.
The high unemployment figures during 1969-1973, can be attributed to a lack of education and training. According to extracts by the Jamaican Planning Agency entitled, "Facts on Jamaica", it is reported that between 35 per cent and 40 per cent of the adult (15 years plus) population is unable to read and write. Therefore, some comprehensive efforts toward eradicating the illiteracy problem is an absolute necessity, if Jamaica is to improve the employment situation. Certain steps have been taken to remedy the problem. A Literacy Campaign was launched in August 1974. The program aims to get every citizen involved, as it is designed not just to eradicate illiteracy, but to educate the entire society into a realization and acceptance of responsibility toward the growth and development of Jamaica. Churches, various bodies like the Girl Guides Association and many private companies were actively involved in this program.

The major point of emphasis, therefore, is that the education and training of Jamaica's poor has not kept pace with the industrialization process. Therefore, it is conclusive in light of the staggering education level and the high degree of capital intensity that massive education and training of the poor is necessary if Jamaica is to achieve any form of economic development.

Therefore, the solution to the development problem lies
in worthwhile employment or jobs. Only through employment can the Jamaican citizens improve their socio-economic status. This would mean additional income in the form of taxes for the Jamaican Government, because individual incomes are taxed. The taxes should than be applied to making the necessary improvements in health, education, housing, recreation, social security, and welfare. Although in light of contemporary development wisdom, the forementioned solution may seem somewhat unrealistic. It should be emphasized that 100 per cent employment is not being advocated. However, suggested recommendations do advocate that jobs for the majority of the abled, bodied Jamaicans are a prerequisite step toward development in Jamaica.

**Development**

The Government, through statutory boards, such as the Jamaican Tourist Board, the Jamaica Industrial Development Corporation, the Jamaica Development Bank, the Scientific Research Council, the Urban Development Corporation and The National Housing Corporation, actively encourages the development of the various sectors of the economy.

However, the Government's National Planning Agency is responsible for the overall development of the economy; the preparation of long term plans and the publication of an **Annual Economic Survey**.
CHAPTER V

SUMMARY AND CONCLUSION

The purpose of the study was to examine the impact of the Multinational Corporation in bauxite production, before and after, the nationalization of the industry in 1974.

Chapter I, focuses specifically on the Pre-Nationalization Era. The problems affecting employment, Gross National Product, Investment and Balance of Payments, during 1969-1973 are provided. The dwindling statistics, exception Gross National Product, from one year to the next clearly illustrates that Jamaica is enduring economic growth in light of the forementioned economic indicators. Unemployment and capital intensity, factors associated with "growth" and "development" increased annually. However, the increase in growth partially due to bauxite production was not excessive enough to bring about any serious economic or social changes. The problems of GNP, employment, investment, and the balance of payments are a result of the following:

1) Economic instability and production cut-backs.
2) Levels of education and training didn't keep pace with industrialization.

3) The closing of bauxite production facilities.

4) Construction cut-backs.

Chapter II discussed demographics after the Nationalization process materialized. The Bauxite Production Levy Act 1974, was enacted granting the Jamaican Government 51 percent shareholdings. The statistics in all areas Employment, Investment, and Balance of Payments still continued to decline (exception Gross National Product). The consequences of the Nationalization Era are finally discussed. It is conclusive that the Nationalization of bauxite promoted economic growth and increased government revenue substantially. In terms of the balance of payment deficits, it is conclusive that the Jamaican Government must exert greater efforts to restrain imports and increase exports.

Chapter III discussed the goals of the Multinational Corporation and those of Jamaica. The objective was to show that the Multinational Corporation and Jamaica's goals are conflicting. The Multinational Corporation is a profit-making institution, not a welfare organization. The investment problem is discussed. Investment is lacking in Jamaica because certain investment inducing factors as technical education, organizational know how and managerial skills are lacking, in
addition to the channeling of profits to the developed countries.

Other major factors contributing to a lack of investment is the political instability resulting from the establishment of Democratic–Socialism. Bauxite production firms froze employment and reduced production capacity. This created economic problems.

Chapter IV attempted to show why growth, not development, emerged as a result of the nationalization of Bauxite. Special emphasis is directed toward the whole industrialization process, and the characteristics it share in underdeveloped countries, such as Jamaica. The problem of education level vis-a-vis the dynamic industrialization process has resulted in high unemployment. The contention is that massive education and training of the poor is a prerequisite to employment. Through employment, Jamaicans can improve to some degree their socio-economic levels, thereby, contributing more taxes. This would lead to development.

Listed below are the results of the analysis:

1. Nationalization of the bauxite industry had a pronounced impact on the "growth" of Jamaica. This is attributed to the increases in Gross National Product and Government Revenue. Investment and Balance of Payment fluctuated and was basically unfavorable between 1969–1977, exception 1974. Nationalization had a minimum impact on
development. Unemployment was high, the illiteracy rate ranked between 35-40 per cent, and no substantial improvements in health, education, housing, recreation, social security, and welfare emanated from the nationalization of bauxite.

2. Nationalization had a limited effect on unemployment. The move by the Jamaican Government to nationalize led to bauxite production cutbacks and warranted supplemental lay-offs. In addition, stiff competition from major Multinational Corporations in Australia, Europe, and Japan led to lower demands for Jamaican Bauxite.

3. Increased unemployment was further agitated by capital intensity, as well, economic and political instability. The political unrest and the establishment of Democratic-Socialism had several effects on employment.
   
   a) A potential freeze on employment was imposed by major bauxite producing Multinational Corporations.

   b) Bauxite related construction was cut in half from 3,938 employees in 1971 to 1,530 employees in 1972.

4. Massive education and training programs directed at reaching the "poor" is an effective weapon against the mounting unemployment statistics. Both the public and private sectors should make this a joint venture. Programs aimed at this problem makes a great contribution toward bringing Jamaica closer to development.

5. Nationalization stifled prospects for increased investment in bauxite, according to the Jamaican Planning Agency. In addition, profits derived from bauxite production is being sent to developed countries, such as the United States. Some of this finance capital must be channeled back into the Jamaican economy.
6. The Jamaican Government must exert greater efforts to restrain imports and increase exports, if the Balance of Payment problems are to be resolved.

**Suggestion or Recommendation**

So far, it has been the general contention that nationalization of bauxite had minimum impact on development. More positive "growth" in some major economic indicators emanated as a result of the nationalization process. The objective is to scrutinize ways in which nationalization can become more conducive to development.

It should be made perfectly clear, however, that the contents herein is offered in the way of possible suggestions or recommendations to the current problem of development, as it relates to nationalization.

The nationalization of bauxite can become more relevant to development in Jamaica. Prime Minster Michael Manley's renewed efforts to improve education and training programs in Jamaica is a positive move. However, the implementation of these improvements in isolation (without the involvement of the private sector) may prove futile. Therefore, it is of utmost importance that both the public and private sectors actively work together to derive feasible training or apprenticeship programs. The funding of such an encounterment can be resolved through
negotiations beneficial to all. It should be emphasized, that both parties to this venture stand to benefit. It is generally agreed, that the Multinational Corporation benefits to the extent that the additional employee contributes to increased production. To an extent, greater profits are realized, that is, until production is so excessive that demand is curtailed and the ultimate decrease in prices ensues. Although, good management can foresee these problems before they materialize, in most instances. Government benefits to the extent that additional revenue is generated in the form of taxes from two sources, the individual and the Multinational Corporation. The Jamaican Government receives additional income, as specified in the Bauxite Production Levy Act 1974, as a result of increased production. In addition, more favorable statistics results because an individual is no longer a social or economic "liability" but a productive "asset". Thereby, deriving income, the individual is able to sponsor the mere necessities, such as decent food, clothing, and housing. Tax generated by the government, if excessive enough and channeled where serious need exist, will be the medium through which the problem of development will at least be solved to some extent.

The training programs presently sponsored by the Jamaican Government is limited in scope, such as C.R.O.P. and REAP. These government programs are more aligned to the agricultural
sector with objectives of creating more farmers. But realistically speaking, agriculture and farming contributed infinitesimally to the National Income. Therefore, it is essential that these programs continue for those citizens, who aspire to be farmers. But a more comprehensive training program with Bauxite Production firms is a vital necessity.
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