

81

# BUDGET SPEECH

SECOND SESSION

1962 - 1963



*Delivered By*

**THE HONOURABLE, THE MINISTER OF FINANCE**  
**Dr. CHARLES JACOB, Jr.**

In The

**LEGISLATIVE ASSEMBLY OF BRITISH GUIANA**

Monday, December 31, 1962

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*Georgetown.*  
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FIRST LEGISLATIVE ASSEMBLY

Under the

BRITISH GUIANA (CONSTITUTION) ORDER-IN-COUNCIL, 1961

SECOND SESSION

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MR. SPEAKER:

I present this budget against the background of a confused domestic situation. The local scene is overclouded by the genuine regret at the breakdown of the Independence Conference. The promise of working-class security and higher living standards implicit in Independence has not been realized. This is only a temporary setback. I feel sure that Honourable Members would not wish this unhappy situation to continue, and that positive action will soon be taken to have the residual powers in the hands of the Government of the United Kingdom transferred to the people of this country.

1962 IN REVIEW

Nineteen sixty-two, despite the political reaction and the constitutional setback, has been a year of achievement in the sense that the colonial fiscal system has been subjected to changes which harmonise it with generally accepted principles of equity in taxation and a fair distribution of income. The enactment of the Public Corporations Ordinance is a manifestation of the Government's desire that public enterprise should play a decisive role in the production and the distribution of goods and services, with the object of effecting economies, reducing unemployment and increasing welfare — all in the

interest of a stable and equitable society.

The full benefits of recent fiscal and other legislation are yet to be felt. Responsible, intelligent people, both here and abroad, have commented favourably on the fiscal and other policies of the Government. The reforms introduced involved no more radical departure in economic policy than, say, those of the late President Roosevelt's New Deal, or those of the British, Canadian, and Australian governments in recent decades.

The reforms, however, have understandably, by their novelty in the local context, evoked some reaction, and this, added to the pre-Independence "jitters" normally experienced by all countries in similar circumstances, unfortunately degenerated into disorders in Georgetown. The Government has taken all these happenings in its stride, but it sincerely hopes that with increasing goodwill and appreciation of the country's problems, people have come to understand the need for such reforms. If the Guianese people are to conquer poverty, ignorance and disease, there is urgent need for enlightened thinking and for the development, among other things, of the social conscience of the community.

What this Government tried to do was merely to embark on reforms within the framework of the existing economic and social order. In the short run, proposals which had for their objective an increase in public investment, the raising of low living standards, and the improvement of the fiscal and financial system to stimulate balanced economic growth, were quite adequate.

It was certainly not practicable to introduce in the last budget any proposals for the long-term solution of the problem of underdevelopment. But I have already criticized in this Assembly, as other Members of the Government have often done, the speculative features of monopoly capitalism that produce uneven development and widen the gap between the rich and the poor. This question is now being asked with increasing frequency: why are the rich nations becoming richer and the poor nations poorer? The simple, straightforward answer is that the old imperialist relationship, built up over centuries and established between the industrialized countries and the underdeveloped territories, has not been conducive to the fullest economic and social progress in the latter.

I have also indicated on previous occasions that today's poor nations cannot hope to develop in the same way as the now affluent countries did -- without economic planning. Underdeveloped territories like ours, many of them still de facto colonies in spite of political independence, are too weak to industrialize. The greater part of their private capital accumulation tends to go into trade, moneylending and speculation. The task of industrialization must

therefore fall to public enterprise more heavily than it does in developed economies. This implies central planning.

Both the rich and the poor countries now know what needs to be done in the face of the rising "revolutions" -- the revolution of equality (equality of individuals, equality of nations), the revolution of rising expectations (the belief that a society is possible in which the mass of the people can achieve a good life here and now). The rapid decay of empires, witnessed by the vast process of decolonization, has been a welcome sign; but appeals to the more enlightened thinking of the rich nations have not done enough to alleviate the suffering of the poor nations. All of which means that much more must be done by the developed countries. Hand in hand with the efforts of the underdeveloped countries to redistribute wealth and income, must be international efforts at a similar redistribution between the rich and poor nations. More technical aid, aimed at assisting and not indoctrinating; more generous financial aid, by way of outright grants or as long-term loans at low interest or interest-free, would be more in keeping with the professed altruistic motives of the industrialized countries, and would materially assist this and other underdeveloped countries to overcome their poverty and backwardness. Above all, the abandonment of international monopolistic practices, of economies based on artificially-created scarcity and on mere private profit, and of "cold-war" policies could help produce a more just, peaceful and contented world.

In Guiana, increasing literacy, the improvement of communications, the breaking down of international barriers, and what Professor J.S. Duesenberry of Harvard University has called the "demonstration effect" -- these have all contributed to the revolution of rising expectations among the masses, and to their increasingly articulate demands for a better life. In the long run, therefore, the reforms which were introduced earlier this year with the aim of removing the faults of the existing economic system, would prove inadequate to sustain any short-term social gains. The problems of mass unemployment and inequality would return, as experience of recurring crises of overproduction and underconsumption in most developed countries has shown, to plague the economic system. I am convinced, Mr. Speaker, that the only realistic solution will be found in allowing Guianese society to evolve peacefully and constitutionally into its next higher stage. This superior economic and social order is perfectly feasible, not only because of the impermanence of the existing one, but also because parliamentary institutions and democratic procedures already exist to guarantee an orderly transition to Socialism, in which economic activity will be based on social objectives rather than merely on private-profit calculations.

In this brief review of the 1962 budget proposals, I can do no better than refer at this point to the remarks of Professor Peter Newman of the

University of Michigan, in the May, 1962, issue of RACE:

"A package consisting of higher taxes for old taxes (e.g., import duties), new taxes (e.g., capital gains taxes), and a scheme of compulsory private saving, was introduced. As we shall see, the timing of these admirable self-help proposals laid them open to misinterpretation. It is ironic that the grave riots in February of this year were sparked by the first serious attempt to make the Guianese responsible for their own economic development."

Professor Newman pointed out that Guiana's per capita national income (\$350) is higher than that of many Latin American countries, and very much higher than that of most countries of Africa and Asia. No shanty towns exist, he wrote, on the scale of West Kingston in Jamaica or of the swamps of Port of Spain in Trinidad. Newman suggested that one of the causes of racial tension and political unrest might be the domination of Guiana's economy by a few large companies, coupled with the fact that Britain has shown less interest and invested less capital in Guiana than the Netherlands government has done in neighbouring Surinam, which also has large numbers of both Africans and Indians.

There can be no doubt that the disturbances of February have had a depressive effect on the whole economy, the results of which are reflected in the reduced revenues of the Government, to which reference will be made later in my speech. I wish merely to record this fact here. The least that can be done now is to forget the past, and for all Guianese to work together for a restoration of national unity and the achievement of complete recovery from this year's recession. Already there are hopeful signs of some return to normalcy. I can only hope, Mr. Speaker, that the attainment of the Government's objectives — political and economic independence, and a just, more balanced society, with increasing national income, leisure, and culture — will no longer be frustrated by unjustified opposition. The pre-requisite for all these good things is political independence — a matter on which there ought to be no division of opinion. The Guianese people can, united, wrest the remaining powers from the imperial centre. The question, who should rule, what has been called "the struggle for power," can best be settled at home — afterwards.

The questions of monetary reform, a national pension scheme, and a national lottery, action upon all of which was initiated during this year, will be fully discussed later in my speech. Exchange control, in existence since 1939, which has been misunderstood and consequently misinterpreted by a section of the public as an innovation by this Government, will also be dealt with later.

## ECONOMIC POSITION AND OUTLOOK

Exports this year should be in the vicinity of \$155 mn. — half from the agriculture sector, including processing, and the bulk of the remainder from the mining sector. Exports of sugar, molasses, and rum should be about the same as last year (\$65 mn.), as will those of rice (\$23 mn.); exports of bauxite are likely to be about \$1 mn. higher than last year (\$28 mn.); but exports of manganese and alumina (the new arrivals in 1960 and 1961 respectively, which are now contributing about \$25 mn. annually in exports), should be some \$8 mn. more. Total exports will be \$5 to \$10 mn. higher this year than in 1961 (\$147 mn.) — the increase being mainly in volume. The export sector of the economy has continued to prosper.

However, there has evidently been a fall in economic activity both in the construction and trading sectors. It appears that there has been a substantial fall in imports (some \$25 mn. or a sixth lower than in 1961), and in excise clearances (some \$0.4 mn. or a third less than in 1961). The limited evidence suggests that the economic mood of the public in the last year has been one of high financial liquidity: merchants have been reducing the level of their inventories; investment in real assets has been curtailed; consumers have reduced the level of their purchases of durables; and there is a general disposition to hold on to cash — the banks, other credit institutions and merchants holding a tight rein on credit. This is a swing from the high levels of fixed investment, inventories, purchases of consumer durables and of credit reached during the latter half of 1960 and the first half of 1961, after which the pressure of over-extended credit and capital outflow forced the banks and other credit institutions to restrict their lending.

The boom of 1960 and 1961 seems to have been a regional phenomenon. It appears that with a favourable economic climate — expanding production and exports and the move by the Federation of the West Indies towards effective integration of the Islands — the regional banks were induced to reverse their usual position of holding substantial reserves in London of deposit funds surplus to requirements in the Caribbean (which, as their Head Offices in London avowed in evidence before the Radcliffe Commission in 1957, was not a position of their own choosing) by expanding their advances to the point where they were eventually borrowing from London to meet the Caribbean's requirements. Other financial institutions (e.g., hire-purchase institutions) followed suit. Apparently by 1961 the regional financial system found itself so over-extended that it felt obliged to put a sharp rein on credit. The boom then collapsed for lack of the fuel of credit to keep it going.

Fortunately in the local situation, with the maintenance of a high

level of exports, the reduction in the level of imports has enabled the banks here to replenish their reserves and has thus removed one of the limiting factors to a more liberal credit policy.

This appraisal of the economic situation suggests no general fall in production and incomes in 1962: while production in the construction and trading sectors has fallen, production in the export sector has risen. It is probable that the gross domestic product at factor cost is not very different in 1962 from its level in 1960 and 1961 (in the vicinity of \$250 mn.).

The outlook for next year is bright. Sugar prices have recovered somewhat from the setback of the last two years, and the prospects for bauxite, alumina, and manganese are encouraging. Exports of rice should be about the same, but at better prices. Thus, the prosperity of the export sector seems to be assured. Moreover, the indications are that trading and investment activity is reviving and credit easing.

#### 1962 REVENUE

The revised estimate of the revenue in 1962 is \$59.0 mn. This is \$6.6 mn. less than the original estimate of \$65.6 mn. (including \$7.1 mn. for the estimated yield of the additional taxation introduced this year), and \$1.0 mn. less than the actual revenue in 1961. The yield of import duty this year will be some \$3.3 mn. less than the original estimate (\$23.0 mn., including \$2.0 mn. from higher rates of some duties). This reflects a fall of some 15 to 20 per cent in the value of imports as compared with 1961. Excise duty this year should have yielded \$8.2 mn. as the result of the increased rates of duty; the actual yield will be about \$6.3 mn., reflecting a fall in excise clearances of a third from the 1961 level. The yield of income tax, as the result of a carry-over of uncollected tax (\$0.5 mn.) into 1963 due to the late passage of the amending legislation, will be \$0.3 mn. lower than the original estimate (\$19.3 mn.). The net property tax, which was estimated to yield roughly \$1 mn. in 1962 has, again as the result of the late passage of the legislation, been carried forward into 1963. The revenue from the new telecommunications services is some 20 per cent higher than last year. Rents, royalties and interest have yielded more than they did last year as the result of the expansion of land settlements, the growing production of manganese and higher currency profits. Yet the yield is under the estimate because of the disappointing collection of rents in some land settlements. The other items of revenue, apart from a contra reimbursement item for the Overseas Service Aid Scheme, show little change from their levels in 1960 and 1961.

In brief, of the original estimate of revenue of \$65.6 mn. in 1962, some \$5.2 mn. has been lost by the fall in imports and excise clearances, and some \$1.5 mn. by failure to collect the revenue in the year of account. For these reasons the yield of the revenue will be only \$59 mn.

#### 1963 REVENUE

The revenue next year should be substantially higher than in 1962. The yield of income tax will certainly be more. The prosperity of the export sector has assured this. It is estimated that in spite of some fall in this year's incomes from the trading and construction sectors of the economy, the yield of income tax next year should be \$21.5 mn. — \$2.5 mn. more than in 1961 and 1962. The net property tax is expected to contribute \$2 mn. — double its estimated annual yield as the result of the collection next year of both the 1962 and the 1963 amounts of tax. The difficult estimates are those for import duties and excise duties. It is certain that the yields of both these categories will be higher next year than they were this year. As I indicated earlier in my speech, there has evidently been a running-down of inventories this year. This squeezing of inventories must inevitably result in some rebound. The question is how great a rebound. The yield must certainly be more than \$20 mn. (this year's level), and at the 1961 level of imports it could be as high as \$24 mn. The yield of import duty has been conservatively estimated for next year at \$22.4 mn. — 14 per cent higher than in 1962, but about the same level as in 1961. The yield of excise duty has been estimated at \$7.0 mn., which is well within the maximum probable yield of \$8.2 mn. (at the 1961 level of clearances). Income tax, net property tax, import duty and excise duty, which account for three-quarters of the revenue, should therefore add \$7.9 mn. to this year's level of revenue. The other elements of the revenue, especially export duty, estate duty, rent, royalties and interest, should rise by \$0.6 mn. Next year's revenue should therefore be \$67.5 mn. — \$8.5 mn. more than in 1962.

#### 1962 RECURRENT EXPENDITURE

The provision for expenditure made in the 1962 Estimates totalled \$65.5 mn. However, it was evident soon after the Budget was approved that the revenue expectations would be disappointed. Expenditure was therefore curtailed to bring it as far as was practicable within the revised revenue expectations. Supplementaries were kept to the minimum, but even so, unavoidable expenditure of this kind totalled about \$4.0 mn. The total provision made for 1962



90

expenditure was therefore \$69.5 mn. However, by rigid control over the filling of vacant posts and over expenditure from extraordinary votes, and by strict economy in the expenditure of public funds generally, expenditure has been kept down to \$63.8 mn. (the revised estimate) — \$5.7 mn. less than the total provision. This expenditure is some \$6.8 mn. more than the actual expenditure in 1961 (\$57.0 mn.), the main increases in 1962 being for the revision of salaries (\$4.4 mn. for 1961 and 1962), and for increased debt charges (\$1.5 mn. more than in 1961). The only other important increases were under the Legislature, the Ministries, and the Commissions (\$0.5 mn.), reflecting mainly the increased cost of the governmental organization established by the new Constitution, and under Education (\$0.5 mn.) — the result mainly of the rapidly growing school population requiring increased numbers of teachers.

#### 1963 RECURRENT EXPENDITURE

The 1963 Recurrent Estimates call for provision of \$67.7 mn. — \$3.9 mn. more than the revised estimate of expenditure for 1962 (\$63.8 mn.). Since the 1962 revised estimate includes about \$2.2 mn. for 1961 revised salaries, the true increase in recurrent expenditure proposed in the Estimates now before the House is about \$6.1 mn. This increase is accounted for to the extent of \$2.2 mn. by increased debt charges, \$0.4 mn. for part of a year's provision for a national army, \$0.6 mn. for the maintenance of roads, buildings and sea defences, \$1.0 mn. for schools, and \$0.5 mn. for health, the remaining \$1.2 mn. being spread over Police, Fire Prevention, Prisons, Inland Revenue, Works and Hydraulics, Civil Aviation, Agriculture, Social Assistance, Pensions and Gratuities, and the Department of External Affairs.

The Public Debt has been rising steeply in recent years. Between 1959 and 1963, public debt charges will have risen from \$4.2 mn. to \$10.2 mn. — an increase of \$6 mn. This accounts for nearly a third of the increase in expenditure over the period, and is the unavoidable consequence of the high rate of development expenditure in recent years. The amount proposed for the national army is a new provision to cover the estimated recurrent costs likely to arise in 1963. Provision has also been made for the first time for a Department of External Affairs.

## 1962 RESULTS

As I indicated earlier in my speech, the revenue receipts for 1962 should total \$59.0 mn., and the recurrent expenditure \$63.8 mn. There will therefore be a deficit of some \$4.8 mn. on the Recurrent Budget. However, this deficit has been exaggerated in size by the payment in 1962 of the 1961 arrears of revised salaries (\$2.2 mn.), and by the failure to collect some of the income tax (\$0.5 mn.), and the entire amount of the net property tax (\$1.0 mn.). The deficit that is therefore properly attributable to this year of account is only \$1.1 mn.

As a result of the deficit on the Recurrent Budget the Government's reserves (the General Revenue Balance), which stood at \$8.2 mn. at 31st December, 1961, will be reduced to \$3.4 mn. at 31st December, 1962 -- too low a level to accommodate the regular advances of the Government for the working capital requirements of the public services and public enterprise.

Moreover, this deficit together with the debit balance (\$3.1 mn.) on the Development Fund at the end of the year, to which I shall refer later, will result in an unliquidated bank overdraft at 31st December, 1962, of some \$2.0 mn.

## 1963 PROPOSALS

As presented to this Assembly, the 1963 Recurrent Budget calls for expenditure provision of \$67.7 mn., and forecasts revenue receipts of \$67.5 mn. There is therefore a small deficit of \$0.2 mn. There are obviously three ways of meeting this situation: carry the deficit, cut expenditure or increase taxation. The deficit is so small that it is feasible to carry it: there is normally a good probability, as the experience of the past will confirm, that the actual budget results will be better than the estimates; and even if the small deficit does eventuate, the short-term finance can be found to carry it. But there are some special factors that militate against such a course. Firstly, the revenue estimates project an increase of \$3.4 mn. under import and excise duties from the revival of economic activity that has evidently already started; but it is difficult to predict the extent of the recovery. Secondly, the expenditure estimates have been so severely pruned that there is little elasticity left in them to accommodate from savings the inevitable supplementaries for unavoidable additional expenditure arising in the course of the year which could not be foreseen and can not be postponed. Thirdly, the Government's reserves, at best inadequate, have, as the result of this year's deficit, been seriously depleted; and while the promise of hefty surpluses in the longer

term is good, the prospects for any more than marginal surpluses in the succeeding year or two seem doubtful. Last, but not least, there should be some contribution to the Development Fund.

I have already discussed to some extent the severe pruning of the expenditure provision proposed in the Estimates. This provision is some \$4.6 mn. lower than the proposals made by departments and sustained after scrutiny by the Ministry of Finance, and after discussion in the Council of Ministers and in its Estimates Committee. At \$67.7 mn. the expenditure proposed is only \$6.1 mn. higher than the level of expenditure this year (excluding payment of 1961 arrears of salary). Of this increase, \$2.2 mn. will be swallowed up by debt charges. To keep expenditure within the limits proposed in the Estimates will require the strictest control.

This brings me to the last alternative -- an increase in taxation. The circumstances I have just described have put the Government, so to speak, between the devil and the deep. On the one hand, the needs of the community for public services, and the financial circumstances of the Government require a higher level of revenue than is likely to be produced at the present level of taxation; and on the other hand, the economic circumstances of the community are such that increased taxation must be avoided.

The Government has most carefully weighed these considerations, and has reached the conclusion that there should be no increase in taxation.

However, I have one revenue measure and one adjustment to taxation to propose. First, the Government proposes to increase the rates of harbour dues to yield \$200,000 per annum. This flows from a recommendation by a United Nations specialist on transport and communications.

It is also proposed to revise the limits of the urban areas for the purpose of liquor licensing to the former radius of a quarter of a mile beyond municipal boundaries.

The Government intends in the coming year to set up a National Economic Council on which the Opposition in the Legislature, together with such bodies as the Chambers of Commerce, the Trades Union Council, and other groups representative of industrial and commercial interests, will be invited to participate.

The Government will also explore ways of stimulating home-ownership, and as a first step in this direction intends to introduce legislation whereby interest on loans used to finance house-building will, under certain conditions, be allowed as a deduction from the income of the owner-occupiers of such houses.

#### THE PUBLIC DEBT

At the end of this year the public debt will total \$117 mn., of which the external debt accounts for \$94 mn. About \$50 mn. (mainly in Exchequer Loans) of this debt is repayable in equated annuities, and the remaining \$67 mn. is backed by sinking fund investments worth some \$13 mn., the annual sinking fund contribution being \$1.1 mn.

As the result of the financing needs of development, this debt has grown rapidly in recent years and has put a heavy strain on the recurrent budget. Between 1959 and 1963, the public debt will have increased by some \$40 mn. — 45 per cent — and public debt charges risen from some \$4 mn. to \$10 mn. per annum.

#### 1962 DEVELOPMENT RESULTS

The 1962 Development Estimates provided for expenditure of \$31.6 mn. However, the inadequacy of the funds available for its financing made it necessary to restrict expenditure. In the result, the actual expenditure this year is unlikely to exceed \$18.8 mn. (the Revised Estimates).

The main expenditures were on the Tapakuma project (\$4.0 mn.), other drainage and irrigation projects (\$1.3 mn.), sea defences (\$1.3 mn.), primary schools (\$1.5 mn.), the housing programme (\$1.1 mn.), the Parika-Bartica road (\$2.8 mn.), the East Bank and other roads (\$0.7 mn.), water supply for the rural areas (\$0.3 mn.), the rehabilitation of the steamer and railway services (\$1.2 mn.), and electricity development (\$1.0 mn.).

Since the Development Fund was overdrawn at the end of 1961 to the extent of \$2.4 mn. and \$18.8 mn. will be expended this year, the funds required to cover development expenditure to 31st December, 1962, total \$21.2 mn. It has been possible to find only \$18.1 mn. towards this expenditure — \$5.0 mn. from Colonial Development and Welfare grants, \$9.1 mn. from Exchequer Loans, \$1.8 mn. from the National Development Savings Levy, \$2.0 mn. from contractor-finance for the Parika-Bartica road, \$0.1 mn. from the World Bank (I.B.R.D.)

loan to the Credit Corporation, and \$0.1 mn. from United Nations Special Fund grants. The Development Fund will therefore be overdrawn at 31st December, 1962, by \$3.1 mn. This deficit on the Development Fund, added to the deficit on Recurrent Account of \$4.8 mn., has depleted the Government's cash resources and has necessitated an overdraft at the end of the year of some \$2 mn.

#### 1963 DEVELOPMENT BUDGET

*the Assembly*

The 1963 Development Estimates as presented to ~~Council~~ call for expenditure of \$25.5 mn. The main provisions are for sea defences (\$1.7 mn.), drainage and irrigation works (\$5.6 mn.), land clearance (\$1.0 mn.), roads (\$1.6 mn.), railways, steamers and harbours (\$2.0 mn.), posts and telecommunications (\$0.6 mn.), credit for industry and agriculture (\$3.5 mn.), public buildings, including a building for the Credit Corporation and the proposed Bank of Guyana (\$2.0 mn.), schools, including the proposed College of Liberal Arts (\$0.9 mn.), housing (\$1.4 mn.), health schemes (\$0.4 mn.), water supply (\$0.6 mn.), public parks and swimming pools (\$0.1 mn.). It is proposed to develop the area now occupied by the Golf Course into a public park and playground, and to construct public swimming pools in Campbellville and Albouystown.

The funds in sight for financing this programme of works in the coming year total \$20.7 mn. — \$4.5 mn. from Colonial Development and Welfare grants (including \$1.1 mn. for new schemes to be proposed), \$8.0 mn. from Exchequer Loan, \$4.0 mn. from the National Development Savings Levy, \$2.0 mn. from a loan to be raised in the local market next year, \$2.0 mn. from the I.B.R.D. loan to the British Guiana Credit Corporation, and \$0.2 mn. from the United States Agency for International Development.

Since the Development Fund will be overdrawn to the extent of \$3.1 mn. at the end of this year, and the Government's reserves have been effectively exhausted, it will be necessary to cover this deficiency from the funds in sight for next year's expenditure. Expenditure next year will therefore have to be restricted to \$17.6 mn. — \$7.9 mn. less than the Estimates as presented. Moreover, \$2.0 mn. of the funds in sight are tied to the financing of a clearly defined lending programme of the British Guiana Credit Corporation, so that to the extent that this programme lags behind expectations, this finance will not be used and will not be available for expenditure on other schemes. It will be necessary therefore to reserve expenditure of \$9.9 mn. — \$2 mn. for the Credit Corporation, to be released only against drawings from the I.B.R.D. loan, and \$7.9 mn. to be released only to the extent that the funds available for development expenditure next year prove to be more than are now in sight. It

is hoped that it will be possible to find contractor-finance for the Bank of Guyana building. The public lottery, which will be introduced next year, should also provide some additional finance for development.

#### MONETARY ADMINISTRATION

As was indicated in the Address by His Excellency the Governor at the Opening of the Second Session of the Legislature, the Ministry of Finance has been particularly concerned this year with this aspect of its responsibilities. The exchange controls which had to be hastily extended to the sterling area in December last threw an intolerable burden on the small organization then in being for controls over the non-sterling world, with which the traffic was very small. In the result, when the controls were extended to the sterling area, with which the main international transactions of this country are conducted, the organization was unable to cope quickly and efficiently with the vast increase in traffic. It has now been possible, with the help of the Bank of England, which has had long experience in the administration of similar controls, to reorganize the entire procedures of control. This will facilitate the public and ensure operational efficiency. No changes of any significance have been made in the character of the controls; the changes relate to their administration. Leaflets have been prepared for issue to the public providing simple explanations to facilitate their particular needs.

Progress has been made in the drafting of a constitution and in the other preparatory work for the proposed Bank of Guyana. The impending dissolution of the British Caribbean Currency Board will make it necessary for this country to revert to the position prior to 1951 when it used its own currency. The Bank will undertake the functions usual to institutions of this kind, including acting as the Government's bankers, managing the public debt and possibly the exchange controls. It seems that the pace of dissolution of the British Caribbean Currency Board will necessitate the setting up of the Bank within a year or so.

The establishment of such a monetary institution rates one of the highest priorities in the context of underdevelopment, because it is only through it that sound monetary policy, which goes hand in hand with fiscal policy, can be effectively implemented to produce balanced and sustained economic growth.

**FISCAL ADMINISTRATION**

The reforms in the system of direct taxation have necessitated a major reorganization of the Inland Revenue Department. This must be completed early next year, since the department will then have to cope not only with the new taxation and the national development savings levy, but also with the Pay-As-You-Earn system of collecting income tax. It is proposed that the Licence Revenue Department should be absorbed in the Inland Revenue Department. The reorganization of the Customs Department is also well underway. As members will note, the staff structure of the department has been revised to provide an effective distribution of responsibilities and functions. Greater emphasis will be placed on eliminating tax evasion. It is proposed also (although it is not reflected in the Estimates) to reorganize the staffing structure of the Customs Guard service, so as to promote greater efficiency.

Reorganization is proceeding also on the financial and accounting side of the work of the Government. The Financial Administration and Audit Ordinance, enacted late in 1961, provides the legislative framework for the far-reaching changes in the system of control of revenue and expenditure that were made necessary by the rapid development of the decentralized ministerial system of government. It is necessary for the efficient conduct of the Government's business that each Ministry should have an adequate organization. Efforts are being made to provide such an organization.

These developments within the Ministry of Finance have thrown a heavy burden of work throughout the year on the officers of the Ministry and of all its Departments. To crown it all, I must needs present the Budget on the last day of the year with the result that in this festive season I have reluctantly had to call on my staff for long hours of work. I am happy to record my appreciation of the loyalty and unstinted efforts of my officers both in the Ministry and in its Departments.

I should add that progress is being made in setting up a national pension scheme. The matter has been investigated by a specialist from the International Labour Organization, and a report is to be submitted shortly.

**CONCLUSION**

The greatest need in Guiana now is for national unity, the healing of the wounds caused by racial and ideological differences. If we are to progress

as a nation, we must all learn to live and work together for the common good.

It is a historical fact that any attempt by underdeveloped countries to develop economically is usually accompanied by an accentuation of social tensions. This is not reasonable since economic development means a maximization of welfare. But experience elsewhere points to resistance to any kind of social change at all. This resistance produces tensions which can be politically exploited. A government prepared to do the right things in the context of underdevelopment can certainly make a positive contribution to economic development rather than one which, while maintaining social calm, is so weak and indifferent to social needs, that it fails to pursue a consistent and effective policy.

Complete calm is characteristic of a stagnant economy — not of a dynamic community which intends to embark on a programme of economic development that would bring popular benefits. This is not to say that calm is undesirable, but rather that it is not characteristic of emergent territories. Development inevitably shifts the balance of power between various groups and classes, arouses expectations incapable of immediate fulfillment, and distributes economic rewards in novel ways — all of these consequences, I feel, should be fully appreciated by all who believe in and want a just Guianese society. This appreciation would relieve much of the tensions that now exist, and permit our country to leap forward, economically and socially.

This Government believes that the first prerequisite for a better society is the abolition of unemployment. The second is a less arbitrary distribution of wealth and income. To achieve this change in the quality of human life — which is what economic development is all about — central planning is an absolute necessity. Indeed, some form of central planning is becoming today one of the most important functions of all governments, regardless of the position they occupy in the political spectrum.

A better life for the Guianese people means a wider variety of social changes in the years ahead. The best endeavours of all, government and people, will be required now and in the future to make the promise of a better society a living reality. Our prospects are more favourable than those of many other countries, similarly placed. The economy has never been better, as our export figures show. My Government and I are confident that with goodwill and cooperation all round, the better future we all seek can be realized.

In closing, I would like to urge all Members, indeed all patriotic Guianese, to place the interests of the country above their political and personal interests. At this time we are facing serious problems, in common with many other countries, both developed and underdeveloped. But I am



convinced that, given the political freedom which is rightfully ours, we can work together and find solutions to these problems. The budget I have presented today seeks to enlist the cooperation of the entire community. In its concern for the public welfare and social progress, the Government expresses the cooperative philosophy so vital for the achievement of the aims and aspirations of the Guianese people. For these reasons, I feel that this budget will commend itself both to the Members of the House and to the people of Guiana.

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