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**The International and Domestic Politics of Structural Adjustment
Decision-Making in the Third World: A Case Study of Guyana 1989-1997**

**By
Hollis France**

**A dissertation submitted to the Graduate Faculty in Political Science in partial
fulfillment of the requirements for the degree of Doctor of Philosophy, The City
University of New York.**

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Abstract

**The International and Domestic Politics of Structural Adjustment
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Advisor: W. Ofuatey-Kodjoe

Many third world states under pressures from International Financial Institutions (IFI's) adopted neo-liberal economic policies, embodied in structural adjustment programs (SAP's), by the 1990's. However, scholars revisiting the structural adjustment phenomenon of the mid 1990's witnessed varying responses to IFI policies by third world states. These responses ranged from faithful adoption, to modification, to outright rejection of structural adjustment programs. Hence, the question for many scholars centered on how and why countries chose to adopt, modify or discard structural adjustment programs. This dissertation, using Guyana as a case study, offers insight to why the governments of both the Hoyte (1985-1992) and Jagan administration (1992-1997) in Guyana, given the range of potential policy choices, chose the policies they did. Specifically, this dissertation analyzes the decision-making process during a period of structural adjustment that marked the third world in general, and Guyana specifically, from 1989 to 1997.

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Chapter I: Introduction to the Topic

By the latter part of the 1980's, many third world states were heavily indebted and faced severe restrictions on access to borrowing in the international community. This contributed to deteriorating social and economic conditions. In order to remedy the situation many of them were forced to turn to International Financial Institutions (IFI's), such as the International Monetary Fund and World Bank group, as a means of restoring their credit-worthiness and regaining access to international capital. In order to receive credits and loans from IFI's they were required to meet certain conditions. These criteria became known as Structural Adjustment Programs (SAP's).

Generally, SAP's require both domestic and foreign economic policy reforms. Domestically, recipient states are required to adopt austerity measures to reduce public sector deficits. These include cutting government programs in social services, removing transportation subsidies, and freezing wages. States are also encouraged to deregulate domestic markets by dismantling price controls and removing restrictions on private enterprise. With respect to foreign economic policy, states are encouraged to integrate their domestic economies into global markets. This entails removing barriers to foreign trade and investment, such as import and export licenses and emphasizing the production of exports over domestic consumption.

Confronted with mandates to reform their economies, in order to restore their creditworthiness and regain access to international financial capital, developing countries were forced to make choices. As the 1980's ended and analysts began to revisit the

structural adjustment phenomena in the 1990's, it became evident that the adjustment choices governments throughout the developing world made, differed significantly. The variations in adjustment choices among developing countries manifested themselves along a spectrum as some governments adopted and faithfully implemented, while others modified or discarded their structural adjustment programs.

The lack of uniformity among developing countries, with respect to their adjustment choices, prompted many analysts to begin investigating the factors accounting for the decisions made by third world governments when it came time to adjust or reform their economies. The varying response strategies provoked many critical questions such as: Why do some governments choose the path of full adoption as opposed to alternative strategies of modification or abandonment of structural adjustment programs? Why did some governments choose to experiment with orthodox reform programs, while others drifted towards experimenting with heterodox programs? Why did some governments, despite resistance from their most loyal supporters, mainly labor and the working class, insist on adopting and implementing structural adjustment programs?

Scope and Purpose of Study

This study, employing an inductive approach, analyses the response strategies of governments in developing countries to pressures from Fund and Bank agencies to adopt and implement structural adjustment programs. The study utilizes examples drawn from a case study of Guyana from 1989 to 1997. This study seeks to answer three main

questions: Given the range of potential policy choices, why did the Hoyte administration¹ in 1989 choose the particular policies they chose in response to pressures from the Fund and the Bank? Why did the Jagan administration² in 1992, despite its initial opposition to Fund and Bank programs eventually acquiesce to key components of SAP's? Did the choices arise out of circumstances existing within the global political economy or from pressures from dominant groups within Guyanese political economy?

The central argument presented in this study is that the policy choices third world states, adopt in response to external pressures from the Fund and Bank are based on the interests of the countries' elites. Specifically, the argument advanced in this study suggests that the policy choices of the Guyanese state in response to adjustment policies were premised on the perception of the national interest by Guyana's decision-makers. Guyana's national interests were in turn determined by the decision-makers' understanding of the objectives they were attempting to pursue. Decision-makers' understanding of Guyana's national objectives was derived from the ability of the country's elite to have their private interests transformed into 'national' objectives and further reflected in governmental decision-making choices. In other words, the private interests of elites were adopted as the national objectives, which in turn represent the country's national interest and thus are relevant factors in determining policy responses of developing countries to pressures from the Fund and Bank.

¹President Desmond Hoyte inherited the Presidency in 1985 after Forbes Linden Burnham, who had ruled Guyana from 1966, died in August of 1985. Although there was a change in Presidential leadership there was no change in a party leadership. Hoyte governed from 1985 to 1992 as the leader of the Peoples National Congress (PNC) party.

²Cheddi Jagan assumed the Presidency of Guyana in October of 1992. His party the People's Progressive Party (PPP) returned to power after 28 years. Jagan died while in office in 1997.

Rationale and Justification of Study

Apart from the fact that Guyana, like many third world states, underwent adjustment programs, it was chosen as a case study because there is a paucity of scholarly literature on Guyana in general and particularly on the structural adjustment period in the later 1980's. For example, in the last fifteen years the books and articles written on Guyana have focused on the dynamics of race and politics in a pluralist society³, authoritarian rule under the Burnham regime⁴, or have been descriptive and technical accounts of the implementation of structural adjustment⁵. Scholarly literature that does focus on the political economy of Guyana is centered on an analysis of the Burnham regime from 1966-1985⁶ a period in which IFI's interaction with the government can at best be characterized as antagonistic. Guyana was chosen also because in 1986 the Guyanese government, under the leadership of president Desmond Hoyte⁷, reoriented both its political and economic course. The government proclaimed its commitment to market-oriented policies and paved the way for democratic elections in 1992, the first in almost twenty-eight (28) years, during this period.⁸ The first term of the People's Progressive Party (PPP) 1992-1997 under the tutelage of Cheddie Jagan is among the least researched periods in Guyanese politics. Therefore, this study places emphasis on these two periods (*Hoyte's decision to liberalize the economy by 1989, and Jagan's*

³See Hintzen (1989, 1983, 1984) and Premdas (1980 & 1978).

⁴See Hintzen 1989, Thomas (1988 & 1984), and Jefferey and Barber 1985.

⁵See Ferguson 1995, Gafer 1996, and Van Dijk 1992.

⁶See Ferguson 1999

⁷It is important to note that although the leadership of Guyana changed in 1985 due to the death of the former president Forbes Burnham, the ruling party, the Peoples National Congress (PNC), remained in power under the leadership of Desmond Hoyte.

⁸In October of 1992, the PNC government was voted out of office. The Peoples Progressive Party (PPP) won the first democratically held election in Guyana in the past 28 years.

decision to continue Hoyte's policies) in Guyanese politics to gain insight into how domestic forces influence the choices a state makes when confronted with conditionalities from IFI's.

Additionally, this topic was chosen due to the shortcoming of the literature on the politics of structural adjustment to produce a systematic framework for investigating adjustment decisions by two or more countries. Generally, the literature on this topic suffers from both theoretical (the ability to explain) and methodological (unit of analysis) flaws. The one promising avenue of inquiry pursued by the politics of structural adjustment literature recognizes the key role played by the decision-making process within countries. Positing the question “why do some governments choose to adopt adjustment policies, while others choose alternative policies?” implies that choices are an outcome of the decision-making process. Furthermore, there is recognition that the decision-making process is composed of state officials acting on behalf of the state. Therefore those analysts pursuing this line of inquiry were confronted with the next logical question “what are the factors that influence the deliberations of decision-makers and hence the final choice of a particular policy?” Many located the source of influence on the decision-makers' choices within the perceptual field - his/her perception of the situation at hand. Hence, like analysts within the comparative foreign policy literature, scholars within the politics of structural adjustment field started with the assumption that state officials acting on behalf of the state make choices based on their perception of the situation at hand. However, while this promised to be an important line of inquiry for scholars studying the politics of structural adjustment, they fell short of being able to

successfully identify the actual factors influencing the perceptual field of decision-makers. Additionally, while this study builds on the works of scholars within the politics of structural adjustment field, it also seeks to utilize the works of key comparative foreign policy scholars in order to advance our knowledge of those actual factors influencing the perceptual field of decision-makers. In other words by utilizing some of the key comparative foreign policy literature we can begin to gain insights into what are the actual factors during a period of structural adjustment that are responsible for influencing decision-makers to act the way they do.

This research effort seeks to contribute not only to an outright lack of scholarly literature on Guyana after the reign of the Burnham regime and during the initial stages of adjustment, but also to the theoretical and methodological gap presently existing within the study on the politics of structural adjustment. Specifically this research takes the distinctive approach of uniting the political economy approach of the politics of structural adjustment literature with that of the decision-making approach located within the comparative foreign policy literature. Secondly, this research is not only important for Guyana in particular but has wider ramifications for why adjustment choices are adopted by developing countries when confronted with pressures to reform their economies. Thirdly, this study transcends the technical and ideological debates about structural adjustment, which focus on the efficacy of strategies or normative aspects respectively, and allows us to view structural adjustment in terms of its political dimension.

Theoretical Discussion

Neo-Liberal Debates

As the 1980's ended and structural adjustment policies took a foothold in developing countries, whereby countries in the developing world were all experiencing, in one way or another, IMF and World Bank recommended programs, scholars observing this phenomena began reassessing the responses of developing countries. It became quite evident that variations existed among developing countries in their responses to Fund and Bank dictates to adjust their political economies. Scholars observed that these responses in the 1980's and 1990's to pressures to embrace structural adjustment policies manifested themselves in three distinct ways. They ranged, "from compliance, to quite defection, to outright defiance."⁹

Although scholars recognize policy responses differ among developing countries, they have not had much success in developing satisfactory explanations of these differences as a survey of the current literature shows. Some work has been produced on the relation between third world countries and the effects of global restructuring, particularly in the areas of debt, trade, and investment.¹⁰ However, from a theoretical point of view they are not particularly helpful. Firstly, most of the works are descriptive and technical rather than analytical. The works that do focus on structural adjustment

⁹ Haggard and Kaufman (eds) *The Politics of Economic Adjustment*, 1992, pp. 6

¹⁰ In terms of the relation between lending practices of International Financial Institutions and debt see Paul Mosely, Jane Harrigan, and John Toye, 1991, *Aid and Power*; Jeffery D. Sachs, ed., 1989 *Developing Country Debt and the World Economy*; William L. Canak, 1989, *Lost Promises: Debt Austerity and Development in Latin America*; Gerald K. Helleiner, ed., 1986, *Africa and the International Monetary Fund*, Bonnie K. Campbell and John Loxley, 1989, *Structural Adjustment in Africa*; and Thomas M. Callaghy and John Ravenhill, 1992, *Hemmed In: Responses to Africa's Economic Decline*.

programs of individual third world countries¹¹ have not attempted to present a framework for comparative analysis, and have been mainly descriptive.

Those writers who have attempted explanatory analyses of the policy choices of third world states have failed to produce convincing explanations due to a variety of methodological flaws. The primary methodological flaw that writers often encounter feeds into the level of analysis debate.¹² Some writers have attempted to explain structural adjustment policy choices as a response to internal stimuli such as "system maintenance."¹³ This explanation suggests that as states begin to experience the pressures of the loss of revenue due to their inability to tax and collect revenue, they begin to factor in political considerations such as regime survival. Hence, they begin to take into consideration the long-term general interests of system maintenance and disassociate themselves from those constituencies identified with seeking to maintain the status quo. Empirical evidence from the reform experience of "Ghana under Rawlings,

¹¹ For example there are edited editions such as Joan Nelson's (1990), *Economic Crisis and Policy Choice: The Politics of Adjustment in the Third World*, in this volume country studies were produced on; Argentina, Brazil, Mexico (Robert Kaufman), Chile, Peru, Columbia (Barbara Stallings), Costa Rica, Dominican Republic, and Jamaica (Joan Nelson, Ghana, Zambia, and Nigeria (Thomas Callaghy), and the Philippines (Stephen Haggard). Robert H. Bates and Anne O. Krueger, eds., 1993, *Political and Economic Interactions in Economic Policy Reform: Evidence from Eight Countries*. Jenifer Widner, ed., 1994 *Economic Change and Political Liberalization in Sub-Saharan Africa*. Donald Rothchild, ed., 1991, *Ghana: The Political Economy of Recovery*. Carol Jenkins, 1997, *The Politics of Economic Policy-Making in Zimbabwe*."

¹² The level of analysis debate was developed partly in response to the realist school of thought emphasis on the one level of analysis - international systems structure - to explain state behavior and motivation. J. David Singer's classic work *"The level-of-Analysis Problem in International Relations"* attempted to remedy this problem by pointing out the advantages and disadvantages of relying on either the systemic model or the sub-systemic model. For important critiques of the structural arguments, see Robert Keohane, 1986, *"Theory of World Politics: Structural Realism and Beyond."* Timothy McKeown, 1986, *"The Limitations of 'Structural' Theories of Commercial Policy."* Robert Keohane and Joseph Nye, 1989, *Power and Interdependence*. John S.Odell, 1990, *"Understanding International Trade Policies: An Emerging Synthesis."*

¹³ See Margaret Levi, 1988, *Rules of Revenue*.

Bolivia under Paz Estenssoro and Argentina under Menem."¹⁴ are offered as examples of regimes once committed to interventionist state policies, who when confronted with economic crisis adopted the orthodox policies advocated by international financial institutions. Other writers employing the internal stimuli explanation, offer the "organizational capacity" argument.¹⁵ Here authors like Peter Evans contend that government leaders will adopt policy choices based on the depth of their technical competence.

External factors are central to other attempts at explaining the policy choices of third world countries. For example, Barbara Stallings argues that the international economic shocks during the 1980's directly forced policy changes among third world states. This leads Stallings to conclude that, "international factors are crucial in explaining broad shifts in policy, both in contrasting the 1980's with the 1970's and explaining changes within the decade of the 1980's."¹⁶

However, the above explanations force an either-or approach to understanding why third world countries make specific policy choices. Therefore, at best, these explanations are partial because economic policy choices are a reaction to both external and internal stimuli simultaneously. This view is one that is beginning to have significant resonance among scholars in the international relations community. International

¹⁴Quoted from Haggard and Kaufman eds., 1991 pp. 21

¹⁵ Peter Evans is closely identified with this line of argument in his work on "embeddedness" in the case of the developmental state in East Asia. See Peter Evans, 1991, "The State as a Problem and Solution: Predication, Embedded Autonomy, and Structural Change," in Haggard and Kaufman eds., *The Politics of Economic Adjustment*.

¹⁶ See Barbara Stallings, 1991, "International Influence on Economic Policy: Debt, Stabilization, and Structural Reform," in Haggard and Kaufman, eds., *The Politics of Economic Adjustment*. Also, 1990, "The Role of Foreign Capital in Economic Development," in Gereffi and Wyman, eds., *Manufacturing Miracles: Paths of Industrialization in Latin America and East Asia*.

relations scholars are gradually combining levels of analysis to arrive at more comprehensive explanations of state behavior.¹⁷

Some writers have attempted to produce multi-factor analysis of how the policy choices of third world states are acquired.¹⁸ Joan Nelson's attempt at a multiple factor analysis of the policy choices of third world states is a distinct improvement on the single factor explanations. However, from the viewpoint of this study it fails to show how these various factors combine to produce policy choices. Nelson's edited volume purports to follow a comparative framework that provides a list of political factors influencing the policy choices of third world states. She refers to these as causal factors; nature of crisis, state capacity, structure of political institutions, patterns of political leadership, support bases, and political coalitions, along with the roles of external agencies.¹⁹ Here we see that Nelson attempts to locate explanations for adjustment choices in both internal and external factors. Nonetheless, while this was quite a notable attempt, the case studies pursued by various authors within the volume failed to consider the same set of variables. In the final analysis, writers ascribed causation to whatever factor happened to appeal to them. For example, Robert Kaufman in his exploration of "Stabilization and Adjustment in Argentina, Brazil, and Mexico,"²⁰ suggests that choices by the various governments to cooperate with IFI's were shaped by the varying interests of the private sector in each of

¹⁷This is evident in the works of Stephen Haggard and Robert R. Kaufman, eds., 1992, *The Politics of Economic Adjustment*. Jeff Checkel, 1993, "Ideas, Institutions, and the Gorbachev Foreign Policy Revolution." Timothy McKeown, 1986, "The Limitations of 'Structural' Theories of Commercial Policy." Paul Rohrlich, 1987, "Economic Culture and Foreign Policy: The Cognitive Analysis of Economic Policymaking." Stephan Haggard and Beth Simmons, 1987, "Theories of International Regimes."

¹⁸For example see Joan Nelson, ed., 1990, *Economic Crisis and Policy Choice: the Politics of Adjustment in the Third World*.

¹⁹See Joan Nelson 1990 pp 18-28.

²⁰See Chapter 3 of Nelson's "Economic Crisis and Policy Choices."

these countries. Barbara Stallings on the other hand attributes the adjustment choices of Chile, Peru and Columbia to external pressures such as the relationship between these countries and IFI's.²¹

Haggard and Kaufman's book published two years later than Nelson's is an updated version of the latter and suffers from the same weaknesses. Haggard and Kaufman offer both international and domestic factors as determinants of adjustment policy choices. The authors claim that in order to explain the choice a state makes, attention must be placed on the environment or context in which decision-makers are embedded. Specifically they assert "decision-makers operate in a matrix of international, social and institutional incentives and constraints that set limits on the range of policy alternatives."²² At the international level, the categories are market forces and the political leverage of creditor governments, key international financial institutions (International Monetary Fund and the World Bank), and the commercial banks. The variables identified at the domestic level are the autonomous role of the state and distributional conflicts. They proceed to address three economic adjustment policy choices that decision-makers encounter - a) 'balance of payments management and stabilization'; b) 'structural adjustment measures'; and c) 'national strategies towards creditors'. Furthermore, Haggard and Kaufman suggest that there are three dimensions to assessing these policy choices - 'Timing of imitation of policy reform'; 'Scope and Content of reform'; and 'the consolidation of reform.'²³ Like Nelson's and other such

²¹For example, here Stallings suggest that Peru's choice of a heterodox approach was based in part on its adversarial relationship with the international financial community.

²² Haggard and Kaufman, eds., 1992, The Politics of Economic Adjustment, pp: 3.

²³ibid pp 5-7.

multi-factor models, Haggard and Kaufman's chief concern "with the political determinants of policy choice,"²⁴ fails to show how the various factors intermix to produce the adjustment policy choices of third world countries. Thus, in the country studies reported in Haggard and Kaufman's volume, some of the contributors appeared oblivious to their "determinants" and others used only those "determinants" that seemed to them to be relevant to the adjustment policy of the countries they were investigating. As a result, we still lack a framework for the comparative analysis of the adjustment policy choices of any two or more third world countries.

Dissatisfied with the results of multi-factor models, some scholars in recent years have attempted to reorient their focus on the role of the state in initiating new policy directions.²⁵ Haggard, Kaufman, and Geddes argue that the state autonomy literature has been influential in demonstrating that states do, at times, pursue policies that disadvantage the economically dominant in society. Therefore, as Haggard and Kaufman point out "societal forces and economic interests remain essential for understanding the possibilities and limits of reform, but the nature of their influence is frequently misunderstood."²⁶ Based on this observation, it can be inferred that state officials do have preferences and interests of their own, independent of other societal forces. However, the question then becomes, how are these preferences and interests acquired by state officials? However, Geddes laments, while the state autonomy literature has been

²⁴ibid pp 9

²⁵ Haggard and Kaufman, eds., 1992, **The Politics of Economic Adjustment**, Barbara Geddes, 1994, **Politician's Dilemma: Building State Capacity in Latin America**. 1994, "*The Politics of Economic Liberalization*."

²⁶ Haggard and Kaufman, 1992 pp 19.

useful in setting the agenda, attempts to answer this question appear "stalled" at an early and frustrating stage. Insight and description abound but explanations remain scarce."²⁷

Similarly, Haggard and Kaufman note the shortcomings of the state-centered approaches because of their failure to confront two important puzzles:

- 1) the first is to understand the preferences of state elites. If elite preferences are not the result of pressures emanating from particular groups or from the logic of political competition, then where do they come from;
- 2) the second question concerns the organizational characteristics of the state that allow elites to act on their preferences.²⁸

Hence Haggard, Kaufman and Geddes in their respective works attempt to provide us with possible sources of elite preferences based on the suggestions gathered from the works of John Waterbury, Peter Evans and Margaret Levi.²⁹ Haggard and Kaufman point to three possible sources of elite preferences: 1) *preferences* driven by the need for system maintenance - whereby state elites will tend to initiate reforms if they perceive their ability to collect revenue curtails their efforts to spend on economic and political objectives. Thus state elites calculate, first and foremost, their political survival even if it means overriding the concerns of particular constituencies; 2) *preferences* driven by organizational capacity - state elites preferences are a function of their capabilities. Elites will prefer those policies that correspond to their level and depth of technical competence; and 3) *preferences* emanating from the ideological position of the

²⁷ Geddes, 1994 pp 6.

²⁸ Haggard and Kaufman, 1992 pp 20

²⁹ see John Waterbury, 1992, "The Heart of the Matter? Public Enterprise and the Adjustment Process," in Haggard and Kaufman eds., *The Politics of Economic Adjustment*. Peter Evans, 1992, "The State as Problem and Solution: Predation, Embedded Autonomy, and Structural Adjustment," in Haggard and Kaufman eds., *The Politics of Economic Adjustment*. Margaret Levi, 1988, *Of Rule and Revenue*.

political leadership - points to processes by which state elites perceive and interpret the ascendancy of neo-liberal economic doctrine and then incorporate into a policy context.³⁰

While Haggard and Kaufman identify three potential sources of state elite preferences, Geddes relies on one source of influence. Employing the rational actor model as used by Margaret Levi, which also is utilized by Haggard and Kaufman in their identification of the first potential source of state elite preference, Geddes presents the argument that state elites preferences are derived from their overriding interest to remain in office. Hence like Levi, Geddes views politicians as state maximizers making political survival calculations based on their interests to stay in office. Nonetheless, Geddes does note that in turn, "political institutions determine which strategies for staying in office will likely work."³¹

While works presented by the authors just mentioned appear promising in moving us beyond the narrow state-centered approaches, they bring us no closer to understanding "What are the preferences of state decision-makers?" and "From where do these preferences emanate?" Primarily the "systems maintenance" or "career maximizer" argument fails to account for those cases in which state elites undertook reforms despite threats to their chances of being re-elected. For example, in the case of Guyana's second attempt at structural adjustment, which was formally implemented in 1989 under the leadership of Desmond Hoyte, the President opted for reforms that transformed the country politically and economically. This was despite the fact that the implementation of these policies alienated the party cadre and threatened the interests of the party's chief

³⁰See Haggard and Kaufman, eds., 1992 pp 20-23.

³¹See Geddes, 1994, pp 8.

support base -the Afro-Guyanese population.³² Secondly, as Scott Mainwaring reveals in his review of Geddes' work, the results of the reform process in many Latin America cases would appear to contradict Geddes' "assumption that politicians' only interest is re-election ...In Brazil, for example, 30% of incumbent deputies regularly do not seek reelection, making it hard to claim that reelection is their motivation for policy positions."³³

The second of Haggard and Kaufman's potential sources of elite preferences, which is an outgrowth of Peter Evan's work on state embeddedness, is also problematic. As both Haggard and Kaufman concede, the hypothesis that state elite preferences for reform are based on their level and depth of technical competence is contradicted by the empirical cases of Ghana and Bolivia. According to Haggard and Kaufman, obstacles to reform are not eminent due to cases where low levels of technical competence exist but may actually facilitate the process. "The Ghanaian and Bolivian governments, for example, were able to use expatriates and to lean heavily on the IMF and World Bank staff to design broad-gauged packages."³⁴ Therefore, even if state elites have low levels of technical competence they may still seek to initiate changes with the help of those with high levels of technical competence.

Dissatisfied themselves with the limitations of the systems maintenance and bureaucratic capacity explanations of elite preferences, Haggard and Kaufman suggest

³² Tyrone Ferguson, 1995, notes that in the context of Guyana where people generally vote along racial lines, Hoyte had to take into account that the racial arithmetic of 51% Indo-Guyanese and 48% Afro-Guyanese was unfavorable to the parties re-election when free and fair elections were held.

³³ See Scott Mainwaring's 1994 book review of Geddes' book *The Politician's Dilemma* in the *American Political Science Review* Vol.88, No.4. pp 1025-1026.

³⁴ Haggard and Kaufman, eds., 1992, pp 21-22.

that in the final analysis "state centered explanations must often rely in the last instance on the way ideology shapes elite cognitions and values."³⁵ However, while Haggard and Kaufman make note of the importance to study how ideology shapes elite conditions and values they offer no systematic model for investigating this proposition. Essentially, we are no closer to understanding why state officials, who occupy the most prominent position in the policy process, choose to initiate economic reform policies.

Neo-Marxist/Dependency Debates

Building on the efforts of dependency and world system theorists, some writers have argued that any analysis of choices made by third world states in response to adjustment policies has to take into consideration their 'dependent' position within the stratified international system.³⁶ In response to this call, a few dependency theorists have attempted to apply the dependency approach to the analysis of adjustment policy responses by third world countries. Generally, the analyses focus on the role of foreign influence on third world development.³⁷ In particular those writers concentrating on this aspect have centered their debates on two questions: the importance of international versus domestic variables; and assuming international variables are crucial they either result in negative or positive effects for development.³⁸

³⁵ Haggard and Kaufman, eds., 1992, pp 22.

³⁶ Andre Gunder Frank, 1967, 1969, was the original proponent of this line of argument.

³⁷ Examples of key empirical studies of the impact of foreign influences on third world development see Paul Baran's work on the impact of colonialism on India, (1957), and The Monthly Review authors presentation of the dependency perspective on the impact of the debt crisis on Latin America in the 1980's Chinweizu (1985), MacEwan (1986), Pool and Stamos (1985) and Sweeny and Magdoff (1984).

³⁸ For a summary of the debates see Barbara Stallings, 1990, "The Role of Foreign Capital in Economic Development," in Gereffi and Donald, eds., *Manufacturing Miracles: Paths of industrialization in Latin America and East Asia*, also 1992, "International influences on Economic Policy: Debt, Stabilization, and Structural Adjustment," in Haggard and Kaufman, eds., *The Politics of Economic Adjustment*.

However, the application of dependency theory to adjustment policy responses by third world countries presents some problems. To explain why third world countries failed to develop or become more industrialized like those societies of the United States and Europe, dependency theorists employ the stratified structure of the contemporary international system, particularly relations between the 'center' and the dependent 'periphery'. They focused on "foreign governments, intelligence agencies, multinational corporations, and international financial institutions."³⁹ Dependency theorists attempt to show how third world countries continue to be exploited by these institutions concentrated in the 'center',⁴⁰ explain the structure of this system of exploitation,⁴¹ outline the processes and mechanisms through which this structure was created,⁴² and the consequences of this structure for underdevelopment in the 'periphery'.⁴³

In the attempts to link the adjustment policy responses of third world countries with their dependent condition, one segment of the dependency camp points to the structure of the international system. They maintain that a major determinant of a country's policy orientation, particularly its economic policy orientation, is based on its position as a weak and dependent country within the structure of the stratified international system.⁴⁴ Hence, explanatory emphasis of a country's adjustment policy responses is placed exclusively in the domain of systemic factors.⁴⁵

³⁹ Stallings, 1992, pp 44.

⁴⁰ See Ould-Mey 1994.

⁴¹ Dos Santos 1970.

⁴² Amin 1977 and Wallerstein 1979.

⁴³ Frank 1967 and Amin 1977.

⁴⁴ Some notable contributions by contemporary writers employing the dependency perspective focus on the issue areas of debt and aid, see Cheryl Payer 1974, *The Debt Trap*, Anthony Payne 1995, *Politics of Jamaica*, Martha Honey 1994, *Hostile Acts*, Evelyn Huber and John Stephens 1992, "Changing Development Models in Small Economies," Sue Bradford and Bernardo Kucinski 1988, *The Debt Squads*.

Even the more sophisticated contemporary works on globalization and the state by writers of the dependency variant, suffer from this methodological flaw of relying primarily on external factors to explain policy choices. Leo Panitch, studying the effects of globalization on western industrialized states, argues that while states may be experiencing an erosion of national hegemony over economic related policy-making, this does not necessarily translate into a diminishing role of the state. Instead, he argues that, the process of globalization forces states to reorganize themselves. This reorganization, takes place in the form of "a shift in power relations within states that often means centralization and concentration of state powers as the necessary condition of an accompaniment to global market forces."⁴⁶ Furthermore, Panitch notes that in the process of reorganization the state maintains a mediating role between its internal obligations and externally dictated policy initiatives. Essentially the state through its role as mediator continues to play a pivotal role, "even if only to ensure that it can effectively meet its commitments to act globally by policing the new world order on the local terrain."⁴⁷

Whereas Panitch's work attempts to explain how globalization as a process affects the policy choices of western industrialized states, other scholars began to do the same in regards to third world states. For example, Mohameden Ould-Mey stresses that the state in the third world has shifted from its traditional role as a buffer, to its new role of "transmission belt" from the world economy to the domestic economy. Here Ould-Mey

and Scott Siddle 1987, *The IMF and Third World Instability*.

⁴⁵ See Alvin So 1994 and his critique of classical dependency studies over reliance on external factor explanations.

⁴⁶ Leo Panitch 1994, "*Globalization and the State*," pp 64. See also Panitch's work 1996, "*Rethinking the Role of the State*," in James Mittleman ed., *Globalization: Critical Reflections*.

⁴⁷ Panitch 1994, pp 71-72.

employs Robert Cox's⁴⁸ conception of the role of the state as buffer (protecting the national economy from the harmful influences of the international economy) and as a "transmission belt" (transmitting globally dictated economic policies to the national level and only recognizing its commitment to the obligations to the global order). This new role has been facilitated by the adoption of IMF administered Structural Adjustment Programs that are designed to facilitate international capital penetration and privileged accumulation over national capital accumulation. Ould-Mey contends that in the process of the state attempting to harmonize its policies in accordance with external policy directives, it becomes denationalized. It faces challenges not only to its "hegemony over national policy" but also towards its "monopoly over mediation between the outside and the inside." However, despite increasing challenges, "the state remains crucial to the implementation of SAP's and containment of their social and political ramifications".⁴⁹

Although the state becomes denationalized, withdrawing from its interventionist role, Ould-Mey indicates that the state is still empowered in other areas. However, this empowerment is contained primarily within the realm of the state's coercive capabilities.

By, "sharpening its legitimacy and modeling and regulating the social life of people," through the implementation of "unpopular economic policies and containing of their internal social and political ramifications," the state becomes empowered.⁵⁰

Essentially, both Ould-Mey and Panitch view the state as an instrument of international capital through which the dictates of international capital are fulfilled at the

⁴⁸ For further discussion of Robert Cox's conception of the role of the state as a buffer and transmission belt see 1996, "A Perspective on Globalization," in James Mittleman, ed., *Globalization: Critical Reflections*, 1992, "Global Perestroika," in R. Miliband and L. Pantich, eds., *New World Order?*

⁴⁹ Mohameden Ould-Mey 1994, "Global Adjustments: Implications for Peripheral States," pp 328.

national level. Once again while Panitch and Ould-Mey offer us insight into states' transformation during the globalization process, and particularly third world states, in the case of Ould-Mey's work, their analyses rely on externally driven explanations. While globalization as a process does not diminish the role of the state, suggesting that there is some flexibility on the part of states, in the final analysis according to Panitch and Ould-Mey's conclusion, it however becomes transformed into an appendage of international capital dictates. Hence their analysis ends up suggesting that globalization, as an external process, determines state choices.

This first version of dependency theory, also known as the structuralist school, however fails to produce convincing explanations of the adjustment policy responses of third world countries during the 1980's and '90s. The major problem with this proposition lies in the over reliance of analysts on the power position of these countries in order to explain policy choices, thus leaving us with the distinct impression that all dependent states will make identical policy choices. Similar to the realist school⁵¹ of thought, the structuralist, by concentrating on systemic factors, cannot explain individual policy choices of states; hence, they ignore the fact that states, like individuals, do differ in their motivations.⁵² They are therefore forced to rely exclusively on the explanation that a state's position in the international system determines its behavior. Hence, they cannot account for variations in state behavior.

⁵⁰ Ould-Mey 1994 pp 333-334.

⁵¹ The realist argument as represented by Kenneth Waltz's, (1979), *Theory of Structural Realism*, in which Waltz argues for systemic level explanations.

⁵² David Singer in his seminal work "*The Level-of Analysis Problem in International Relations*," refers to this dilemma when choosing to focus on either the national state or the international system and the limitations and advantages of both.

Other adherents of the dependency approach attempted to correct the excessively deterministic analysis by the structuralist school. The writers of the new improved version of dependency theory agreed that the international position of third world countries is an important factor influencing policy choices. However, this new version known as the historical-structuralist school critiqued the external-deterministic approach.⁵³ Stressing the need to also focus on how structures are simultaneously shaped and conditioned by human action, Fernando Cardoso and Enzo Faletto noted that their "approach is both structural and historical: it emphasizes not just the structural conditioning of social life, but also the historical transformation of structures by conflict, social movements, and class struggles."⁵⁴ For instances, in 1979 Immanuel Wallerstein acknowledged that while a country's peripheral position limits its range of policy choices it did not translate into a country not having choices or those choices being predetermined. On the contrary, Wallerstein observed that two policy paths were opened for countries to choose from: the conservative path and the radical path.⁵⁵ Samir Amin also noted that while all developing countries may be considered dependent, there were differences in their responses. According to Amin, some choose to remedy their dependency by choosing radical solutions, while others choose 'liberal solutions' which are associated with the conservative path and tend to increase their dependence.⁵⁶ At the same time, other writers beginning with Cardoso and Faletto argued that it was possible

⁵³For further readings on the relationship between the two versions of dependency theory, see Fernando Henrique Cardoso, 1977, *"The Consumption of Dependency Theory in the United States."*

⁵⁴From Cardoso and Faletto 1979, *Dependency and Development in Latin America*, pp x. see also empirical works by Peter Evans 1979, *Dependent Development: The Alliance of Multinational Corporations, State, and Local Capital in Brazil*, and Douglas C. Bennet and Kenneth E. Sharpe 1985, *Transnational Corporations Versus the State: The Political Economy of the Mexican Auto Industry*.

⁵⁵ Immanuel Wallerstein 1979, *The Capitalist World Economy*.

for countries to be dependent and become developed. This development, in terms of the expansion of capitalism that they refer to, has taken on a diversity of histories and consequences. This leads them to posit,

The differences are rooted not only in the diversity of natural resources, nor just in the different periods in which these economies have incorporated into the international system (although these factors have played some role). Their explanations must also lie in the different moments at which sectors of local classes allied or clashed with foreign interests, organized different forms of state, sustained distinct ideologies, or tried to implement various policies or defined alternative strategies to cope with imperialist challenges in diverse moments of history.⁵⁷

Therefore, while third world states have all been subjected to the imperatives of global capital, namely capitalist incorporation, divergent policy trajectories suggest states do maintain choices as to how capitalist expansion will proceed.

Hence writers of the historical-structuralist school while acknowledging that the position of third world states in the international system restricts their choices, simultaneously maintain that actual policy choices are also a result of the level of social formations within particular domestic political economies. A result of the third world state being incorporated into the capitalist world system is that the class structure in the periphery is reorganized in such a way as to produce a local bourgeoisie with allies in the core countries.⁵⁸ A process referred to by Cardoso and Faletto as the "internalization of external interests."⁵⁹ The class interests of this local bourgeoisie and their external allies are reflected in the policy choices of peripheral states. Furthermore, in an era of liberalization, stabilization, and structural adjustment writers such as Clive Thomas argue

⁵⁶ Samir Amin 1977, *Imperialism and Unequal Development*, pp 177 & 247.

⁵⁷ Cardoso and Faletto 1979, *Dependency and Development in Latin America*, pp xvii

⁵⁸ See Wallerstein 1979, pp 200.

that while third world countries have chosen liberal solutions they do so "without putting at risk the social and political power of the ruling class."⁶⁰

While this neo-Marxist variant of the dependency approach is more promising with regards to the analysis of national policy, in terms of the adjustment policy choices of third world countries, it still leaves several questions unanswered. For instance, the assertion that the national policy of a country reflects the interests of its dominant classes or elites is regarded as part of our conventional wisdom. However, exactly how the interests of the dominant classes come to be reflected in national policy is one that has spurred heated debates between the instrumentalist and the structuralist school of thought within the Marxist camp. The instrumentalist would have us believe that the state is merely an instrument of dominant classes hence suggesting that the state has no interest of its own.⁶¹ On the other hand, the structuralists argue that states do have interests of their own which in many instances coincide with particular fractions of the dominant classes. For example, the structuralist contends that in order for capitalism to function smoothly and maintain equilibrium, the state at times must confer certain privileges to one group at the expense of others (national vs. transnational capital or finance vs. industrial capital).⁶² These actions according to the structuralist argument suggest that the state has interests of its own, but they fail to explain why the state has certain interests and how it comes to acquire these interests. Moreover, by concluding that the state has

⁵⁹ See Cardoso and Faletto 1979. pp xvi.

⁶⁰ Clive Thomas 1989, "*Restructuring the World Economy and Its Political implications for the Third World*," in MacEwan and Tabb, eds., *Instability and Change in the World Economy*.

⁶¹ The argument of the state as an instrument of the ruling class is one forward by Marxist state theorist associated with the 'Instrumental' school. For example, Ralph Miliband in his 1969 work *The State and Capitalist Society* discusses the mechanisms through which powerful business interests in society constrain the decision-making of political leaders in order to have their interests represented in policy decisions.

interests of its own requires us to view the state as an actor. Once we view the state as an actor, we need to proceed to explain what are its interests and how does it acquire these interests. Furthermore, for the purpose of this discussion, during a period of structural adjustment the following questions must be explained; what are the interests of the state? How are these interests acquired? What is the relationship between dominant classes and the state (nature of the class, how they define their interests, how are their interests reflected in state decision-making)?

In order to answer these questions what is needed is a framework of empirical relevance on the basis of which adjustment policy choices of third world countries can be explained - in other words developing a framework that identifies the most significant variables that are deemed influential and applying them comparatively. The inability of both the neo-liberal variant of the politics of structural adjustment literature and that of the dependency/world systems school to analyze the actual policy choices of third world states during a period of structural adjustment, necessitates that we turn to the theoretical literature on comparative foreign policy for possible insights as to what might be an appropriate framework for explaining adjustment choices of third world states.

Foreign Policy Models

Decision-Making Approaches

While the foreign policy literature is extensive and covers great depth and breath,⁶² the works that are of relevance to this discussion on policy choices are those that concentrate

⁶² The main proponent of this argument is Nicos Polantzias.

⁶³ Within the fields of foreign policy, studies have attempted to locate explanations of foreign policy

on the decision-making aspect of foreign policy. This research maintains that while national policy choices of a state reflect the interests of its dominant classes or elites, it is necessary first and foremost to ascertain how decision-makers, representing the composite of the state apparatus and the decision-making process acquire preferences for certain policies.

It is based on this premise that the decision-making models and approaches developed by Synder et al 1962, enhanced by Brecher 1972, and Jensen 1982, and further refined by Ofuatey-Kodjoe 1985 will be utilized to gain further insights into analyzing the policy choices of third world states during a period of structural adjustment.

A brief review of the decision-making variant of the foreign policy literature is in order, beginning with Synder et al. The pioneering work in foreign policy, Synder et al., observed that foreign policy behavior was a result of a process of decision-making, which they defined as a process in which decision-makers choose a strategy based on their perception of the goals they are attempting to achieve.⁶⁴ According to Synder et al., the decision-making process was influenced by stimuli from three sources: 1) "decision-making process" 2) "internal setting" and 3) "external setting". Hence, in order to explain

behavior in the decision-making structure. The classic work of this genre is Richard Synder et al, 1962, *Foreign Policy Decision-Making: An Approach to the Study of International Politics*. see also Lloyd Jensen, 1982, *Explaining Foreign Policy*. Others employing the decision-making approach through the case study method are G. Allsion, 1971, *Essence of Decision*. I.L. Janis, 1972, *Victims of Groupthink*. Michael Shapiro and G. Matthew Bohnam, 1973, *Cognitive Processes and Foreign Policy Decision-Making*. Others have attempted to explain foreign policy behavior based on identifying those variables that have great explanatory power see James Rosenau, 1966, *Pre-theories and Theories of Foreign Policy*. Following in Rosenau's footsteps were works by D. Wilkinson, 1969, *Comparative Foreign Policy: Framework and Method*. P. McGowan and H. Shapiro, 1973, *The Comparative Study of Foreign Policy: A Survey of Scientific Findings*. Stephen Andriole, 1976, "Decision Process Models are the Needs of Policy-Makers: Some Thoughts on the Foreign policy Interface." Another school of thought within the study of foreign policy is the Events Data School represented by the work of Maurice East. Stephen Salmore and Charles Herman, eds., 1978, *Why Nations Act*.

⁶⁴ See Synder et al., 1962 pp 90.

the actions of state officials we need to focus on how factors located in both the internal and external settings impact on the decision-making process to produce the motivations for their actions.

Synder's approach is important in two ways. Firstly, it allows the foreign policy researcher to operationalize foreign policy behavior as the outcome of how decision-makers as actors define the situation. In other words, action is taken based on their perception of the situation on hand. Secondly, Synder et al., illuminate the relevance of domestic, external and organizational variables as sources of foreign policy behavior in terms of how they impact on the decision process.⁶⁵

However, while Synder et al. brought us closer to explaining why states behave the way they do, based on the perception of the decision-makers, they failed to accomplish this task fully.⁶⁶ Although they were successful in pointing out the relevance of the external and internal variables to the decision-making process, they failed to clearly identify those variable clusters. Most importantly, however, they neglected to demonstrate how all of these variables intermix to produce foreign policy outcomes. Nonetheless, many of the theoretical efforts to date, utilizing the decision-making approach can be credited to this beginning attempt at comparative foreign policy.

The second work of importance within the decision-making variant of comparative foreign policy is the conversion model of decision-making as developed by Michael Brecher et al. in 1969.⁶⁷ Building on the works of Synder et al., Brecher et al.,

⁶⁵ Rosenau 1971, pp 260.

⁶⁶For some critiques See Rosenau , 1971; Brecher, 1969; Andriole et al., 1975; and Weinstein 1972.

⁶⁷See Micheal Brecher et al., 1969, "*A Framework for Research on Foreign policy Behavior.*"

attempted to develop “a framework in which the interplay of different pressures can be observed and measured.”⁶⁸ The Brecher model views the foreign policy decision-making process as a conversion system embedded in an environment, comprising both intra-national and international segments. Accordingly, this conversion system simultaneously receives inputs of demands and supports from both the domestic and international segments of the environment and in turn produces outputs of foreign policy decisions. These are in turn fed back into the system as inputs “in a continuous flow of demands for policy, policy process and products of policy.”⁶⁹ Furthermore Brecher et al., contend that while the actions of decision-makers are affected by the reality of the environment within which they have to operate (their operational environment), the motivations for their actions is derived from the way in which they perceive and evaluate that environment (their psychological environment). Based on these assumptions Brecher et al., conceptualize the foreign policy system as having two components: an operational environment, and a psychological environment.

The Operational Environment is the arena in which foreign policy decisions are formulated, that is, “a set of potentially relevant factors and conditions which may affect a state’s external behavior.”⁷⁰ This arena is comprised of an external aspect referring to conditions existing outside the state, and an internal aspect consisting of conditions existing within the state. Within the *external* aspect are five sub-categories: global, subordinate, subordinate other, bilateral and dominant bilateral. Whereas the *internal*

⁶⁸Ibid pp 75.

⁶⁹Ibid pp 80.

⁷⁰ Ibid pp 81.

aspect according to Brecher et al. hypothetically includes: military capability, economic capability, political structure, interest group demands and competing elites' demands.

Located within **The Psychological Environment** is the decision-maker's perception of his/her operational environment. There are two aspects to the psychological environment the "attitudinal prism" and "elite images." The "attitudinal prism" is made up of the decision-maker's attitudes, values and belief system, which in turn acts as a lens or filter through which the decision-maker perceives the external world. The "elite images" are the total cognitive, affective, and evaluative perception of the decision-maker's environment. For Brecher et al., the elite image is the most decisive input of a foreign policy system.⁷¹ This is because the elite image of his/her environment (external and internal) rather than the "objective" reality of the environment, is what helps to shape his /her decisions.

The way this decision-making process works is that information flows from the operational environment to the decision-making elite consisting of "those individuals who perform the function of political authorization in the foreign policy area."⁷² This information is then processed through the psychological environment of the decision-makers. Based on these images, foreign policy decisions are formulated and implemented. These decisions, for the purpose of analysis may be allocated to four issue areas: military-security, political-diplomatic, economic-development and cultural-status.

Brecher's model succeeds more than some other efforts at getting to the variables that are potentially relevant to foreign policy behavior, such as the "demands of interest

⁷¹Ibid pp 87.

⁷²Ibid pp 86

groups". However, he does not go far enough. One of the fundamental problems with Brecher's effort is his failure to provide us with a clear picture of what are the *actual* as opposed to the *potentially relevant* factors affecting foreign policy. Hence when it comes to observing the interplay of different variables, the failure to present actual relevant factors affecting foreign policy, inhibits this interplay. It becomes difficult to differentiate between the elements within the psychological environment that are in fact relevant to foreign policy from those elements that are not. For instance, while Brecher correctly gives central causal significance to elite images, he fails to indicate on any operational level precisely which of these images have relevance for foreign policy. As a result, we are unable to ascertain the dynamic impact of relevant factors on the process through which foreign policy is made. Despite these shortcomings, Brecher et al. made a significant contribution to the field of comparative foreign policy by advancing the work of Synder et al.

Another attempt to develop a comparative theory of foreign policy is presented by Jensen, for whom the objective of foreign policy is to "explain why states make the choices they do."⁷³ After discussing the potential determinants of foreign policy: personal characteristics, belief systems, bureaucracy, interest groups public opinion, economic and power factors, and the international systemic factors, he concluded that "most of these determinants are in the background affecting the decision-makers on almost every foreign policy choice,"⁷⁴ and "whether or not a given determinant has an impact on foreign policy is dependent on perception." He goes on to say that "if the factor is ignored

⁷³Lloyd Jensen, 1982, *Explaining Foreign Policy*.

⁷⁴Ibid pp 261.

because of the perceptual deficiencies of the decision-makers or because of the communication difficulties, it obviously would not have an impact.”⁷⁵ Jensen then tries “to assess the relative importance of determinants in order to ascertain which might be more productive in helping us understand foreign policy.”⁷⁶ The answer to this question is based on the findings of an opinion survey he conducted among 171 academics, journalists and government officials. The survey, while inconclusive, indicated to him “there does appear to be some consensus that external factors are most likely to dominate over internal ones the less developed a state is and the more dependent it is on outside powers.”⁷⁷ Jensen’s study draws attention to the role of the perceptions of decision-makers as an intervening variable in foreign policy analysis. However, he also succumbs to the temptation to try to determine the relative importance of the variables.

From the point of view of this study the decision-making variant of the foreign policy literature is significant for two reasons. First, the models discussed offered a conceptualization of the decision-making process as an intervening variable between the determinants of foreign policy choices and foreign policy behavior. Secondly, the identification of perceptions (or misperceptions) of the decision-makers as the critical aspects of this intervening variable was also brought to the forefront. Extrapolating from the findings of the decision-making approach it can be assumed that national policy, which encompasses both domestic and foreign policy, is an output or outcome of the decision-making process in any country. However, more importantly the perceptions of the decision-makers is the key to understanding why states make the choices they do.

⁷⁵Ibid pp 261-262.

⁷⁶Ibid pp 264

However, while the foreign policy literature was significant in advancing the notion that the sources of foreign policy, and by association the sources of national policy, were to be found in the psychological environment of the decision-maker, it was unable to establish precisely what element within the decision-makers' psychological environment produces foreign policy. Essentially this demonstrates the difficulty that scholars have encountered. On one hand they recognize the importance of focusing on the psychological environment to establish why states choose the policies they do, but on the other are unable to account for what are the necessary components of this environment to concentrate on. It is obvious that if we seek to clearly understand what are those actual elements within the psychological environment that are responsible for the decision-maker's actions, "we cannot accomplish this by merely elaborating further on the number of categories within the psychological environment which are likely to be relevant,"⁷⁸ to national policy. Therefore what is further needed is to clearly identify what are those elements within the decision-makers' psychological environment that produces national policy and in turn how these elements intermix within the perceptual field of the decision-makers as they formulate and implement national policy.⁷⁹

It is now that the theoretical framework as developed by Ofuatey-Kodjoe becomes most relevant. Ofuatey-Kodjoe building on the works of the above mentioned decision-making approach models attempts to remedy their shortcomings. Precisely, Ofuatey-Kodjoe provides us with a detailed identification of those elements within the psychological environment which he deems as the "actual" rather than the "potentially"

⁷⁷Ibid pp 267.

⁷⁸See Ofuatey-Kodjoe 1985 pp 31

relevant sources responsible for producing foreign policy choices. Ofuatey-Kodjoe attempts “to develop a model of foreign policy behavior which makes explicit the nature of foreign policy, and establishes the relationship between it and its determinants.”⁸⁰

The model is based on two assumptions. The first views the state as individuals acting on behalf of the state within an organized institutional framework seeking to achieve state objectives utilizing state capabilities. The second assumption is that the actions of decision-makers “are affected by the reality of the environment within which they have to operate (their operational environment). However, their motivations for their actions emanate from the way they perceive and evaluate that environment (their psychological environment).”⁸¹

Based on these assumptions Ofuatey-Kodjoe, like Brecher et al., defines foreign policy as the product of a policy conversion system in which “inputs in the form of information filtered through the Psychological Environment of the decision-makers,”⁸² are received by the decision-making system, and then converted “into decisional outputs which are then transmitted into the Operational Environment.”⁸³ Hence, Ofuatey-Kodjoe envisions the foreign policy system as consisting of three components: the Decision-Making System, the Operational Environment, and the Psychological Environment.

The Decision-Making System is defined as the arena in which policy formulation and implementation occurs. As a process, it “includes the interaction between all persons,

⁷⁹Ibid pp 31

⁸⁰Ibid pp 31

⁸¹Ibid pp 31

⁸²Ibid pp 32

⁸³Ibid pp 32

agencies, bureaus and informal bodies who participate in the decision-making process from the initial gathering of information to the termination and evaluation of decisions.”⁸⁴

The Operational Environment is the environment within which decisional output is implemented. This environment is comprised of two settings: an internal setting which refers to conditions existing inside of the state, and an external setting referring to conditions existing outside of the state. Policy implementation taking place within the state is achieved “through the processes of legislation and administration,” while those occurring outside the state “are handled through diplomatic, economic and military instruments.”⁸⁵

The Psychological Environment is the arena within which the decision-maker perceives his/her operational environment (internal and external setting). This is based on the “decision-maker’s cognitive, affective and evaluative perception”⁸⁶ of their policy environment. “This is the source of all inputs into the decision-making process, since no factor can be considered as affecting the decision-making process unless they are filtered through the psychological environment of the decision-makers.”⁸⁷ Within the psychological environment of the decision-maker, an external setting and an internal setting exist. The external setting within this environment is made up of “the decision-maker’s perception of conditions and events of relevance to foreign policy that exist outside the state,”⁸⁸ while the internal setting is based on the decision-maker’s

⁸⁴Ibid pp 32

⁸⁵Ibid pp 32

⁸⁶Ibid pp 32

⁸⁷Ibid pp 32

⁸⁸Ibid pp 33

“perception of relevant conditions existing within the state.”⁸⁹ In the final analysis, the interplay of both the external and internal settings are responsible for the decision-makers’ perception of the National Interest, which is the key to the formulation, and implementation of foreign policy.

Therefore, according to Ofuatey-Kodjoe we can see that the formulation and implementation of foreign policy is the outcome of a feedback process whereby “information flows from the Psychological Environment, through the Decision-Making System into the Operational Environment then back into the Psychological Environment.”⁹⁰ However, more importantly from the perspective of this study, we begin to recognize that policy formulation and implementation is an outcome of the decision-maker’s perception of his/her National Interest, which is based on his/her conception of his/her National Objectives. As decision-makers are confronted with determining their foreign policy, they choose among alternative strategies based on what they believe has to be done both externally and internally in order to achieve their national objectives. Decision-makers are likely to ask themselves, “What should we do in both the international and domestic arena in order to achieve our foreign policy objectives?”⁹¹ In other words, what is likely to be in our National Interest? Hence, “National Interest is thus a notion in the minds of decision-makers of what they should do in both the international and domestic arena in order to achieve their national policy objectives.”⁹²

⁸⁹Ibid pp 33

⁹⁰Ibid pp 33

⁹¹Ibid pp 37

⁹²Ibid pp 37

National Interest therefore is the key factor within the psychological environment responsible for policy outcomes.

National Interest is conceived as instrumental needs, "action that governments need to carry out," consisting of both external and internal dimension. Within both of these dimensions, decision-makers must establish what are their Cooperative Needs and their Security needs. Cooperative Needs refer to "types of cooperative activities that a country needs to engage in with potential partners in order to achieve its foreign policy," while, Security needs "denote perceptions of potential sources of external threats to national policy objectives and what actions are needed to defend these objectives."⁹³

Acknowledging that National Interest is based on the decision-maker's conception of external and internal needs of the state, brings us to the other step in determining another source within the psychological environment of the decision-maker responsible for the formulation of policy; National Objectives. In other words in order for decision-makers to determine what their Cooperative and Security Needs are they must first identify their National Objectives.

National Objectives consist of three basic aspects: Economic, Political and Security objectives, which are all intended "to bring about conditions that are as close to national objectives as possible."⁹⁴ Therefore, the economic objectives of countries encompass the ability to acquire raw materials, resources, goods, services and skills needed for the maintenance or development of desired life styles. Political objectives involve the acquisition and maintenance of the ability of the state to be influential among

⁹³Ibid pp 39-40

⁹⁴Ibid pp 42

other participants in the political process. Security objectives point to the safeguarding of the national lifestyle and its norms and values from potential threat.⁹⁵ Economic objectives tend to be the most important objective that many states seek to acquire with political and security objectives often being utilized more as instruments for achieving economic objectives.

Ofuately-Kodjoe proceeds to make the argument that decision-makers determine the national objectives of a state based on the ability of the most influential groups within a society to have their interest reflected in foreign policy decision-making. Essentially, Ofuately-Kodjoe contends that the sources of decision-makers' perception of national objectives are located in the private interests dimension of the most influential groups in society. Therefore the (private) interests of influential members of a society are those that are adopted by decision-makers as the state's national objectives.

For the purpose of this study, Elites are defined as "the effective constituency of the decision-makers, that is, the group to which foreign policy decisions are most responsive."⁹⁶ In other words, the group that benefits the most from foreign policy decisions. These groups have been identified by various theorists as the "ruling class,"⁹⁷ "the organizational bourgeoisie,"⁹⁸ and "monopoly capital."⁹⁹

Elite Interests¹⁰⁰ considered relevant to National Objectives are categorized as Material Interests and Ideological Interests. Material Interests refer to "those resources

⁹⁵ The definition of national objectives was adopted from Arnold Wolfers conception of foreign policy objectives. See Arnold Wolfers 1962 **Discord and Collaboration**.

⁹⁶ Ofuately-Kodjoe 1985 pp 45

⁹⁷ See Miliband, 1969 **The State in Capitalist Society**.

⁹⁸ See Irving L. Markovitz, 1977 **Power and Class in Africa**.

⁹⁹ See V.I. Lenin, 1939 **Imperialism: The Highest Stage of Capitalism**.

¹⁰⁰ Although Ofuately-Kodjoe contends that Elite Interests shape national objectives he is sure to indicate that

and skills, which they believe to be needed for the production of goods and services at acceptable levels and for the achievement and maintenance of power.”¹⁰¹ Ideological Interests are based on “a desirable social order, involving considerations of appropriate modes of social stratification and political and economic organization.”¹⁰² In turn these interests are reflected in their attitudes towards who they feel ought to be the beneficiaries of foreign policy, characterized as the “national self”, and how they think society should be organized, characterized as “the political and social organization of the society.”

Implications for Research

Unlike the early decision-making models discussed above, which were not successful in accounting for the specific elements within the psychological environment of the decision-maker responsible for policy choices of a state, Ofuatey-Kodjoe’s model offers us a clear operational solution to the problem of identifying the “actual” factors relevant to policy choices of a state. From the viewpoint of this study, this advancement in the foreign policy literature is significant on several fronts. First, it is the contention of this research that national policy choices like foreign policy choices are an outcome of a decision-making process. Although, decision-makers may deal with different issues concerning the foreign policy realm, the process by which they go about formulating policy whether foreign or national remains constant. Secondly, in this era of a globalized political economy, it is becoming increasingly difficult to separate foreign from domestic

“this is not to say that all time, and in all cases, the elite interests and national interests would be identical.”pp 46 He acknowledges that foreign policy may at times represent the interests of elites or it can be an outcome of bargaining between various elites, however this ultimately depends on the relative autonomy of the state.

¹⁰¹Ibid pp 48

policymaking and thus the lines become blurred. Finally, Ofuatey-Kodjoe's model allows us to remedy the weaknesses found within the literature of the politics of structural adjustment. Within the neo-liberal school of thought, as represented by Haggard and Kaufman, it is now widely accepted that the key to explaining third world state choices during a period of adjustment is located within the perceptual field of state officials. However, they are unable to account for what exactly are these factors and from where they emanate. Similarly, within the neo-Marxist school of thought, scholars have encountered the same problem. On the other hand, the foreign policy literature, as represented by Ofuatey-Kodjoe's model, helps us to advance the study of policy choices by clearly identifying the decision-making process as an intervening variable in the determination of policy choices and by identifying the perceptions of the decision-makers as the critical aspects of this intervening variable. Moreover, we begin to see that the decision-maker's perception of the state's National Interest, which is in turn influenced by their understanding of what are the National Objectives, emanates out of the *Material* and *Ideological* interests of the national policy elites. In turn, these are reflected in the normative attitudes of the national policy elites on certain issues that are salient to national policy. These issues are (a) "national self" and (b) "political and social organization of the society."

Research Design

This study as mentioned above seeks to answer the question: "Given the potential policy choices, why did the Guyanese government, both in 1989 and 1992 under different

¹⁰²Ibid pp 48

administrations, choose the particular policies they chose in response to pressures from the International Monetary Fund and the World Bank?” In order to answer this question the decision-making model developed by Ofuatey-Kodjoe was adopted. His framework allows us to explore and establish a relationship between the adjustment policy choices of the Guyanese state, the Guyanese decision-maker’s perceptions of the National Interest, and the attitudes of the Guyanese Elites with regards to the “national self” and the “political, economic and social organization” of the Guyanese society. *Based on this, the dependent variable is the actual policy choice of the Guyanese state, the intervening variable is the Guyanese decision-maker’s perception of the country’s National interest, and the independent variable is the relevant attitudes of the Guyanese Elite.*

Hypothetically this study advances the idea that: a) Guyana’s structural adjustment policies are an outcome of the National Interest which are defined as both the internal and external (Cooperative and Security) needs of the state as perceived by the decision-makers; b) the National Interest is defined by the Guyanese decision-makers in terms of their perception of the National Objectives; c) the way in which the Guyanese decision-makers define their National objectives is dependent on the material and ideological interests of the Guyanese elite; d) Elite Interests are reflected in their attitudes towards -“who ought to benefit from structural adjustment policies (‘national self’),” and “how should Guyanese society be organized (political, social and economic attitudes).”

Data Collection

In order to explain the adjustment choices of the Guyanese state there were a number of tasks this research sought to accomplish: - 1. A description of the specific structural adjustment policy choices made by the Guyanese government; 2. Identify the key decision-makers during the Hoyte administration 1985-1992, and the Jagan administration 1992-1997; 3. Ascertain what were the perceptions of National Interests by the key Guyanese decision-makers; 4. Identify the Guyanese elite; 5. Ascertain the attitudes of the Guyanese Elites regarding the 'national self', and the political, social and economic organization of Guyanese society.

Collection Procedures

A total of 4 months were spent conducting fieldwork in Guyana, from October 1997 to December 1997 and then again for one month in November of 1998. In order to facilitate a description of the specific adjustment choices by the Guyanese government a content analysis method was employed. A series of International Monetary Fund and World Bank documents were examined. These included Policy Framework Papers, Country Reports, World Development Reports, Occasional Papers, Working Papers, and Policy and Research Series. In conjunction a number of Guyanese government documents were also obtained such as; parliamentary debates and speeches (Hansards), Confidential memos, Presidential speeches, and Bureau of Statistic documents. Articles obtained from Guyana's two national newspapers, the "Guyana Chronicle" and the "Stabroek News," and the monthly news magazine the "Guyana Review" further buttressed this.

In identifying the key decision-makers, a two-step positional-reputational method was utilized.¹⁰³ In the first step, those expected to have taken part in top-level national policy decisions in Guyana were identified. This group was composed of the President, Ministers of Foreign Affairs, Finance, State Planning, Trade, The Central Bank of Guyana, Director of Economic Corporation, and Secretary of the Treasury.

Upon identifying these individuals, initial contact was made via the telephone to arrange an interview. Each respondent was asked a series of questions based on an interview schedule (see Appendix 1). At the end of each interview, which lasted approximately 2 hours, the respondent was presented with a Social Background Questionnaire (see Appendix 2).

The second step was to verify those individuals who also take part in top-level decision-making based on qualifications other than institutional. This was done by reputational research. Each respondent during the course of the interview was asked to identify 4 to 5 individuals who participated with him or her in the decision-making process. These persons could be in or outside of government. A person was considered part of the decision-making process if two or more persons nominated them. Based on this procedure 28 people were identified. Of those 28 people, 16 were actually interviewed.¹⁰⁴

¹⁰³This methodology is widely used among researchers attempting to empirically identify those most influential in decision-making in one policy area or another. The most successful use of this methodology in the English-Speaking Caribbean context have been by Moskos 1967. Bell & Gibson 1978 and Hintzen 1989.

¹⁰⁴ Numerous attempts were made to interview all those identified as key decision-makers. However, a variety of obstacles was encountered that militated against being able to interview all of those considered to be key decision-makers. First, many of the past key decision-makers during the Hoyte administration were unavailable because they had left the country after serving in the government or were out of the country on business. Secondly, in 1997 the country was gearing up for a general election due to take place on

Upon gaining access to those considered key decision makers, they were asked questions designed to elicit information about their perceptions of the national interest. This was garnered through questions such as: what were the objectives (political, economic and security) of Guyana during this period? Additionally, in terms of finding out what they perceived as Guyana's national interest (externally and internally) they were asked: what were the sources of help and cooperation at the domestic and international level? What were the sources of antagonism and conflict at the domestic and international level? (See Appendix 1)

Identification of the Guyanese elite was made by the information obtained from both interviews conducted with key decision-makers and interviews conducted with newspaper and magazine editors, academics, and members of the opposition parties in Guyana. A list of 30 people was compiled. Like the key decision-makers, each person was contacted via phone for an interview. Once the interview was granted a series of questions were presented (see Appendix 3). Each interview lasted for approximately 2 hours. Out of the total list, 14 people were interviewed.¹⁰⁵ Of those actually interviewed, most represented the business sector and were all males with the exception of one female. The overwhelming majority was East Indian, followed by those of Portuguese descent, Chinese descent and one of mixed ancestry.

December 15. Therefore many of those considered to be key decision-makers during the Jagan administration were on the campaign trail and thus unavailable for interviews.

¹⁰⁵ Most of these interviews took place during the month of November 1998. The inability to interview all of those identified was complicated by three factors: 1. Scheduling conflicts; 2. Many slated to be interviewed were constantly traveling in and out of the country; 3. Due to the monetary and time restraints of the researcher, the length of stay in Guyana could not be extended.

The questions presented to the Guyanese elites interviewed dealt primarily with ascertaining their attitudes of “national self” and the “political, economic and social organization of Guyanese society” (see Appendix 3). Questions dealing with the political, economic and social organization of the Guyanese society were phrased in terms of assessing what kind of political, economic, and social organization of society they would prefer to be in place. It was felt that their attitudes concerning their preferences would affect the types of development strategies, and hence adjustment choices they would prefer. Additionally, the questions were designed to determine the access of these elites to the decision-making process in Guyana.

Overview of Chapters

A description of Guyana’s version of a Structural Adjustment Program; the Economic Recovery Program (ERP) is laid out in chapter 2. This chapter traces the ERP’s genesis, the roots of Guyana’s economic crisis, the turn around in Guyana’s political economy, and finally the actual policies adopted by the Guyanese government. This description of Guyana’s adjustment policies is intended to provide the background for analyzing why Guyanese decision-makers adopted these policies.

Through an exploration of Guyana’s history of negotiating structural adjustment programs, Chapter 3 examines the hypothetical linkage between the Guyanese decision-makers’ perception of National Interest and adjustment policy outcomes. Specifically, this chapter examines the decision-making process from 1985 to 1997, in terms of how decision-makers perceived the National Interest and defined National Objectives.

Essentially this examination is intended to demonstrate how the perceptions of *National Interest* by Guyanese decision-makers acted as one of the sources, the intervening variable to be precise, in conditioning structural adjustment choices.

Chapter 4 examines both the Hoyte and Jagan administrations perceptions of which groups, outside and inside of the state they could depend on to assist them in pursuing structural adjustment as a means of achieving national objectives and which groups posed challenges to the new strategy. The resources at the disposal of the state to mobilize support for its new program coupled with the resources to defend and neutralize opposition to structural adjustment are also explored in this chapter.

Within the context of Government and Private Sector relations, Chapter 5 analyzes Guyanese elite attitudes towards, “who ought to be the beneficiaries of structural adjustment policies (‘national self’) and “how Guyanese society ought to be organized (political, economic and social attitudes). Additionally, this chapter focuses on the mechanisms states can employ to place one segment of the private sector in a “privileged position” while marginalizing another segment during periods of adjustment. This examination is intended to demonstrate the various channels employed by the Guyanese elite to influence the decision-making process and at the same time the frequent access to the decision-making process given to them by decision-makers.

Chapter 6 in concluding demonstrates how the Guyanese decision-makers’ perceptions of the National Interest, defined in terms of National Objectives are shaped by the Material and Ideological Interests of the Guyanese Elites, in terms of their attitudes towards ‘national self’ and ‘political, economic and social organization’.

combine to produce the decisions the Guyanese government made in response to IFI conditionalities. Additionally, this chapter allows us to draw some general conclusions about the actual sources of adjustment choices of third world decision-makers. Based on the interests of third world elites we also should be able to gather some insight into whether decision-makers will adopt faithfully, modify or discard structural adjustment programs advocated by IFI's.

Chapter II: The Political Economy of Economic Policy Formulation and Implementation in Guyana under the Economic Recovery Program (ERP) 1989-1997.

Introduction

The introduction of Guyana's Economic Recovery Program (ERP), a form of International Monetary Fund and World Bank sponsored structural adjustment programs, transformed the political and economic landscape of Guyana. Guyana's ERP provided the momentum for a transition from a state-led development model to a free market capitalist path. This was later accompanied by transition from authoritarian to democratic rule with free and fair elections. Both domestic and international events, actors and institutions fueled these two historic events.

This chapter provides a description of the actual components of Guyana's ERP. This analysis is fundamental to gaining insight into why, in the final analysis, Guyanese decision-makers adopted the ERP. Chapter 2 unveils the political and economic drama developing between 1988 and 1997, and its contribution to a shift in the political and economic history of Guyana during this period. Beginning with a recounting of the political and economic antecedents, operating at both the domestic and international level, this chapter seeks to provide a context for understanding the reasons behind this turnaround in the Guyanese political economy by 1989. This is followed by an examination of the actual components of the economic adjustment strategy and the manifestation of its results, first under the Hoyte administration, which formulated and implemented it, and then the first term of the Jagan administration, which continued the strategy with slight modifications.

Genesis of ERP

In 1988, the Guyana government, under the leadership of Desmond Hoyte, the head of the People's National Congress (PNC), in collaboration with the International Financial institutions (IFI's) - International Monetary Fund and World Bank - signed a Policy Framework Paper (PFP). The signing of this document signaled the willingness on the part of the Guyanese government to engage in significant economic policy reforms, in return for access to the financial resources of the IFI's and other international actors. For example, Guyana was required to make a commitment to reducing domestic spending - cutting government sponsored programs, removing subsidies, dismantling price controls- and opening the Guyanese market to free trade and foreign investments - removing trade barriers such as import and export licenses.

One year after the signing and endorsement of the 1988 PFP by the IMF and World Bank, the Guyanese government in March of 1989 unveiled its plan for pursuing economic reform in Guyana. This plan has since become known as Guyana's Economic Recovery Program (ERP), the blueprint and reference point for its economic reform. The formulation and implementation of the ERP marks an important shift in Guyana's economic history. It represented a break with state led development policies and the embracing of market oriented policies. The introduction of Guyana's ERP represented a reorientation of its political economy for the second time in its history. In 1975, the Government of Guyana, under the leadership of Forbes Burnham, declared itself a cooperative republic with a socialist orientation. Under this orientation the government's aims were: a) the nationalization of foreign property by the state, specifically the national

ownership of the country's three main productive industries; sugar, rice, and bauxite; b) the state being primarily responsible for feeding, clothing and housing the nation; c) instituting a tri-sectoral national economic sector (private, state and cooperative) with the cooperative sector to dominate; and d) establishing the ruling party, the PNC as being above all other parties and the state.¹⁰⁶

In addition to representing a reorientation of the Guyanese economy, the ERP also paved the way for major changes in Guyana's political arena. Internal political opposition groups utilized the PNC government's decision to liberalize the economy as an opportunity to press for openings in the political sphere. Through the auspices of the Patriotic Coalition for Democracy (PCD), which was an umbrella organization consisting of five out of seven opposition parties -the People's Progressive Party (PPP), the Working People's Alliance (WPA), the Democratic Labor Movement (DLM), the People's Democratic Movement (PDM), and the National Democratic Movement (NDM)¹⁰⁷ - repeated calls, at both the domestic and international levels, were made for electoral reforms in conjunction with economic reforms. These repeated calls for electoral reform stemmed from the widely known fact, by both international and domestic observers, that the PNC regime had systematically committed electoral fraud and rigging.¹⁰⁸

¹⁰⁶Clive Thomas, **The Poor and the Powerless**, 1988, pp 252-253.

¹⁰⁷Percy Hintzen, LACCR 8, 1988-89; Ralph Premdas, "Guyana: The Critical Elections of 1992 and a Regime Change," 1993, pp 111-140.

¹⁰⁸For further details on Guyana's electoral problems before 1992 see British Parliamentary Human Rights Group and Americas Watch, **Political Freedom in Guyana**, 1985; Latin America Bureau, **Guyana: Fraudulent Revolution**, 1984, pp 75-76.; Report of the International Team of Observers at the Elections of Guyana, **Something to Remember**, 1980.

Apart from calling attention to PNC electoral violations, the PCD group was also attempting to insure a stake in the political decision-making apparatus. If the PNC agreed to free and fair elections this would in effect guarantee some measure of a level political playing field in which opposition parties could contest elections on an even platform. By the time the PNC government, in 1989, decided to move ahead with its ERP, the PCD coalition "was able to demonstrate, unequivocally, that its cooperation was indispensable if the Economic Recovery Program was to have any hope of success."¹⁰⁹ The PPP and the Working People's Alliance (WPA),¹¹⁰ within the coalition group, demonstrated that their cooperation was essential when they called upon their respective constituencies in the sugar and bauxite industries, two of the major industries responsible for bringing in foreign exchange, to engage in a number of strikes. This created "a crippling strike that effectively prevented the government from meeting the terms of the structural adjustment program."¹¹¹

Historically the PPP is known as the party that represents and articulates the interests of workers in the sugar industry; the majority of whom are of East Indian decent. The largest sugar workers' union in Guyana, the Guyana Agricultural and General Workers Union (GAWU), is affiliated with the PPP party. Over the years not only has the party come to be identified as the party of sugar workers but also as the party of East Indian interests. On the other hand, the WPA attempted to build a more cross-ethnic and

¹⁰⁹See Hintzen: LACCR 9 1989-90 .

¹¹⁰The Working People's Alliance was the party founded by the late Walter Rodney. Its ideological orientation, while anti-capitalist, are geared towards a more modified version of socialism. As Percy Hintzen notes the WPA institutional ties are with a Cuban-style socialism rather than a Soviet and Eastern European style. See Guyana LACCR 1989-1990, vol.9.

¹¹¹See Hintzen : LACCR 9 1989-90

race-based coalition consisting of workers from all sectors. The WPA party is closely associated with the independent minded bauxite unions, the Guyana Mine Workers (GMWU) and the Guyana Supervisors' Union (GBSU), which fall under the umbrella of the Federation of Independent Trade Unions of Guyana (FITUG). These unions are characterized as, "either politically independent or affiliated with opposition political parties," in Guyana.¹¹²

While the PCD coalition was successful in ventilating the electoral dilemma confronting Guyana, there was still reluctance on the part of western governments and leaders within the Caribbean region to whole-heartedly support the coalitions' cause. For starters, the PPP, the party with the largest constituency within the coalition, was well known as a Marxist-Leninist party. Therefore, should there be a free and fair election there would be no doubt that they would ascend to power.

History of Race and Politics in Guyana

The PPP party under a broad based ethnic coalition of Africans and Indians, represented respectively by Forbes Burnham and Cheddie Jagan, was the first Marxist party to win free and fair elections in the Caribbean region in 1953.¹¹³ The party espoused its belief in socialism stating that it wanted to build "a just socialist society in which the industries of the country shall be socially and democratically owned for the

¹¹²U.S. Department of Labor, "Foreign Labor Trends: Guyana," 1989, pp 3.

¹¹³ It is important to note that although the PPP gained power through the electoral process its ability to govern was restricted to the internal affairs of the colony. The British remained in control of all external matters concerning British Guiana; See R.Premdas, "Guyana," from Democracy in the Caribbean, 1994, pp 46.

common good.”¹¹⁴ However, 5 months after its rise to power, “the British government ... arbitrarily suspended the constitution and evicted the party from power.”¹¹⁵

A number of reasons are attributed to the PPP’s political downfall in 1953. These range from it lifting a ban, put in place by the colonial government, to restrict radical West Indians from entering the colony to “repealing the Undesirable Publications Ordinance which was designed to prevent ‘communist literature’ entering the colony.”¹¹⁶

However, perhaps its most insidious offence was “its intention to pass a law which would have made it compulsory for employers to recognize trade unions which had the support of the majority of workers. This would have resulted in the sugar companies having to recognize the Guiana Industrial Workers’ Union (GIWU) whose President, Dr J. P. Latchmarsingh, was a minister in the PPP Government.”¹¹⁷ The pro-labor anti-capitalist actions of the PPP, during this period, in reality threatened the position of the capital owning class in terms of their political influence and their economic stranglehold on the economy. As a result, the British colonial government, the advocates of the capital owning class in British Guiana, at the time, withdrew the franchise and “appointed persons from the plantocracy, the business community, and others sympathetic to it to govern Guyana. British troops and local police entered homes of citizens, conducting arbitrary searches for “communists.”¹¹⁸

¹¹⁴Thunder, “*Aims and Programmes of the Peoples Progressive Party*,” April 1950, pp 6-7.

¹¹⁵R.Premdas, “*Guyana*” from *Democracy in the Caribbean*, 1994, pp 46; see also “*The constitution; suspension ordered on October 8, 1953*,” Statement of Her Majesty’s Government Two broadcasts by His Excellency the Governor, Sir Alfred Savage... and the white Paper issued by Her Majesty’s Government; Cheddi Jagan, *Forbidden Freedom*, 1953.

¹¹⁶See Jeffrey and Baber, *Guyana*, 1986, pp 22-23.

¹¹⁷ Ibid pp 23

¹¹⁸ R.Premdas, “*Guyana*,” from *Democracy in the Caribbean*, 1994, pp 46

Jagan's loss of power in 1953 brought to the forefront the disagreement surfacing between Burnham and himself over the strategies the PPP should use to achieve independence for Guyana. On the one hand, Burnham was regarded as the having a more moderate approach to Guyana's development calling for a "mixed economy" (strong emphasis of private and foreign investment coupled with the indigenization of the public sector), which he viewed as intricately linked to the country's quest for independence.¹¹⁹ On the other hand, Jagan advocated a hard-line Marxist position of nationalization of the key productive sector.¹²⁰ This was viewed by Burnham as "senseless ... since they failed to realize that by proclaiming their [the PPP] adherence to Marxism in its most radical form and at the drop of every hat they were building obstacles in the path of the country's independence."¹²¹ Consequently, Burnham cut his ties with the PPP taking with him a large majority of the Afro-Guyanese base, while the large majority of Indo-Guyanese remained loyal to the Indian headed PPP party. Burnham's departure from the PPP, and his subsequent formation of the Afro-Guyanese based People's National Congress (PNC) party, introduced into the Guyanese landscape the exploitation of "sectional fears and prejudices to obtain votes."¹²² In actuality, the elections called after 1953 - in 1957 and 1961 -, while favoring the PPP government, invoked strong and bitter racial sentiments, which in essence shaped the political landscape of Guyana for years to come. The PNC continuously accused the PPP of "being an Indian 'Coolie' regime that tilted budgetary

¹¹⁹ Ibid pp 47; see also R.Premdas, Ethnic Conflict and Development: The Case of Guyana, 1995, pp 170-171.

¹²⁰ R.Premdas, "Guyana," from Democracy in the Caribbean, 1994, pp 47

¹²¹ Jeffrey and Baber, Guyana, 1986, pp 25

¹²² Ibid pp 47

allocations in favor of Indian constituencies.”¹²³ Basically the election of 1957 began the practice of “*Apan-jat*” (Vote for your race) in Guyanese politics with each party appealing to ethnic sentiments suggesting that political rule by either party invited racial domination and oppression of one race over the other.¹²⁴ This period marks the beginning of a shift from a class-based nationalist appeal to one of racial appeals, “race became the preeminent ingredient in the organization of popular political participation.”¹²⁵

International Manoeuvres to Marginalize the PPP

In 1961, the politics of the Cold War era, characterized by the United States and the Soviet Union competing for spheres of influence, invaded Guyanese politics. The Cuban Revolution of 1959 presented a challenge to U.S. hegemony in the Caribbean region and as such, the U.S. seeking to contain the spread of communism worked in concert with the British government and local agents to destabilize and unseat the PPP government. The U.S. through the auspices of the CIA provided financial and technical support to several opposition trade unions, particularly those aligned with the PNC. This resulted in several strikes, demonstrations and civil war.¹²⁶ The domestic agitations turned out to be a referendum on deciding between the lesser of two evils -who was more

¹²³ Ibid pp 47; see also New Nation, “*Money Being Spent in Majority Party’s Stronghold*,” 1959; and R. Premdas, “*Competitive Party Organization and Political Integration in a Racially Fragmented State: The Case of Guyana*,” 1973, pp 5-35.

¹²⁴ Jeffery and Baber, *Guyana*, 1986, pp 26; the word *apan-jat* is derived from the Hindi language spoken by many Hindu’s of East Indian descent in Guyana.

¹²⁵ Percy Hintzen, *Cost of Regime Survival*, 1989, pp 39.

¹²⁶ For more details on U.S. involvement in Guyana see New York Times, “*C.I.A. men and strikers in Guiana against Dr Jagan*,” 1967, February 22; Arthur Schlesinger Jr., *A Thousand Days*, 1965, pp 779; Washington Post, “*U.S. faces line holding decision*,” 1964, May 13; The Nation, “*American labor*

suitable to rule the country: a socialist Indian-dominated regime or the British colonial government? As political scientist Ralph Premdas posits, "the issue turned on the proposition that it was better to be subservient to European colonialism than an Indian-dominated regime, even one run by a socialist."¹²⁷

For their part, the British government engaged in steps to reconfigure the political playing field in Guyana by revamping the electoral system. They changed the electoral clause in the constitution replacing a first-past-the-post simple majority process with proportional representation intended to reflect a government representative of all the people.¹²⁸ With this new system in place, elections were called in 1964. The PPP acquired 46 % of the votes gaining 24 seats, while the PNC received 40.5% of the votes and 22 seats, followed by the United Front (UF), a third party supported by big business, the Catholic church and Portuguese, Chinese and mixed population, which captured 11.4 % of the votes and 7 seats.¹²⁹ In the end, Burnham joined forces with the UF party to unseat the Jagan administration and proceeded to secure Guyana's independence in 1966. This coalition government, however, did not last long. Seeking total power and control, the PNC, under Burnham, moved to oust the UF from sharing power. Burnham quickly moved to expand the party's dominance by utilizing the state bureaucracy, now fully in

abroad," 1965, July 5

¹²⁷ R.Premdas, *Guyana*, from *Democracy in the Caribbean*, 1994, pp 47

¹²⁸ The system of proportional representation was one highly favored by the Americans in seeking to unseat Jagan. According to Arthur Schlesinger Jr, a key advisor in the Kennedy administration during this period. "an independent British Guiana under Burnham (if Burnham can commit himself to a multiracial policy) would cause us many fewer problems than an independent British Guiana under Jagan. And the way was open to bring it about because Jagan's parliamentary strength was larger than his popular strength. He won 57% of the seats on the basis of 42.3% of the vote. An obvious solution was to establish a system of Proportional Representation." *A Thousand Days*, 1965, pp 779

¹²⁹ Jeffery and Baber, *Guyana*, from *Democracy in the Caribbean*, 1986, pp 29; Hintzen, *Cost of Regime Survival*, 1989, pp 54

national hands, to extend patronage, build clientelistic alliances and to co-opt opposition party members.¹³⁰

Perfecting Electoral Fraud

After gaining control of all branches of the state, and recognizing that racial politics had become embedded, it became incumbent upon the PNC regime to introduce several mechanisms to ensure its continued domination of the political apparatus. For example, the regime “introduced the Representation of the People Bill which made it possible for Guyanese living overseas to vote.”¹³¹ In reality, mechanisms like these presented the regime with the opportunity to add extra bodies to their voting list without independent means for verifying its authenticity.

Complimenting the introduction of the representation bill as a means to secure future electoral victories the PNC, “reconstituted the Electoral Commission which was responsible for the conduct and administration of elections. It staffed the body with its own supporters, thus giving leaders full control of the electoral process.”¹³² In essence, all of these measures were implemented because the PNC knew that they could no longer rely on the support of the UF coalition or the leaders of the opposition party that they had co-opted to return them to power. Additionally the racial composition in Guyana during this period favored the East Indian population, which by 1953 made up 46% of the

¹³⁰Hintzen, Cost of Regime Survival, 1989, pp 55-56

¹³¹As Jeffery and Baber, 1986, pp32, go on to point out with the PNC now in sole control of the state apparatus it was easy for them to manipulate many of the procedures associated with this bill. While the Ministry of Home Affairs would claim a certain number of Guyanese resided overseas the Ministry's counterpart in those countries, based on immigration figures, would cite numbers far below the official numbers given.

¹³²P. Hintzen, Cost of Regime Survival, 1989, pp 55

population.¹³³ When these numbers were combined with appeals to communal sentiments (vote for your race) the PNC regime understood quite clearly that in an arena of free and fair elections they would be outnumbered. Therefore, as Percy Hintzen reveals, “to remain in power, the PNC had to circumvent the majoritarian requirement of the electoral constitution.”¹³⁴

From 1964, when the British with the urging of the Americans decided to tamper with the electoral system, to the PNC from 1968 to 1992 engaging in, and perfecting the rigging of elections, democracy eluded Guyana for 28 years. Hence, given the pervasive historical interwoven nature of race and politics in Guyana over the years, it was assumed that should the PPP be given the opportunity to contest election on a free and fair playing field they would be once again elected to office. To begin with, by 1991, one year before the 1992 elections, East Indians represented 48.3 percent of the total population while Afro-Guyanese represented 32.7 percent.¹³⁵ Essentially, it was a foregone conclusion given the entrenched appeals to communal sentiments during elections and the large numbers of potential East Indian voters that the PPP stood a real chance of resuming political power in Guyana. However, the PPP’s ideological orientation of being a Marxist-Leninist party remained an obstacle, in terms of the party being able to garner the support of the United States and other western industrialized countries to pressure the PNC to hold free and fair elections.

¹³³ Ibid pp 47 Hintzen notes that due to increasing birth rates and declining death rates the East Indian population by 1953 had already become the largest ethnic group in the country.

¹³⁴ Ibid pp 55

¹³⁵ Guyana Bureau of Statistics, Statistical Bulletins, 1992-1995.

Internationalization of Democracy for Guyana

Initially, western governments proceeded with caution and continued to support the efforts of the PNC government. However, by the latter part of 1989 and the beginning of 1990 the crumbling of communism in the former Soviet Union and the emerging democracy movements in Eastern bloc countries had a profound effect on the political landscape of Guyana.

Western decision-makers began to lose some of their fears of a socialist regime coming to power in Guyana based on three factors: a) with the dismantling of state socialism in Eastern Europe, the threat of a socialist government coming to power in Guyana appeared less ominous; b) the growing rapprochement and cooperation between the United States and the USSR was bringing the cold war to an end. Support for pro-western governments and opposition to pro-Soviet ones for ideological and strategic purposes become less critical in the foreign policy decisions of western governments; and c) the Soviet union was becoming less enthusiastic in its support for radical and political groups in LDC's."¹³⁶ The combination of these three factors propelled western governments to insist "on the rights of the populace to mount challenges to undemocratic regimes."¹³⁷

However, while some of the fears of western governments may have been diminishing with regards to possibilities of the PPP coming to power, a group of prominent Guyanese, both within and outside of Guyana, perceived that there was still a fair amount of reservation on the part of the west to fully endorse an alternative to the

¹³⁶See Hintzen LACCR 9 1989-1990

¹³⁷See Hintzen LACCR 9 1989-90

PNC regime. As a result, following in the footsteps of the pro-democracy movements in Eastern Europe, at the time, a group of Guyanese in January of 1990 formed a movement called *Guyanese Action for Reform and Democracy* (GUARD). The group consisting of “trade unionists, businessmen, religious leaders, public officials, and professionals were, for the most part, either leaders in organizations affiliated with the PCD or had previously openly supported the PCD’s call for a national front government.”¹³⁸ Joining their counterparts at the domestic level a group of influential Guyanese living in the United States, Canada and Britain began petitioning their respective governments to support calls for democratic reforms in Guyana. The efforts of GUARD and the other democratic reform movement groups inside and outside of Guyana¹³⁹ soon began to pay off. In 1990, the PNC government agreed to hold elections and to have those elections monitored by international observers. This was all made possible by a series of condemnations and threats by the international community. Beginning with a call by President Bush for Guyana to “respect democratic values,”¹⁴⁰ to an official of the United

¹³⁸Ibid; To a certain extent the need to form GUARD was a testimony to the inability of PCD to successfully negotiate electoral reform with the PNC, See Economist Intelligence Unit. *Guyana*, 1991-1992.

¹³⁹While pro-democracy movements like the Patriotic Coalition for Democracy (PCD) and the Guyanese Action for Reform and Democracy (GUARD) played an instrumental part in vocalizing Guyana’s electoral travesty and in the process procuring greater participation by opposition groups, they themselves were unable to contest the elections as a united force. Firstly as Hintzen points out both the PCD and GUARD failed to be fierce competitors due to diverse racial and ideological perspectives. Secondly, in the case of the PCD, the groups concerned were quibbling “over the distribution of the political spoils of an anticipated electoral victory over the PNC (Hintzen LACCR 1989-1990).” Basically they began to fight among themselves even before they actually got to participate in the electoral process. Finally, in regards to GUARD their newly founded popularity at being successful in getting the international community to place pressure on the PNC regime to concede to electoral reforms fueled the idea among its members that they were entitled to a larger role in any new government formed by the opposition. This was not a sentiment shared by the entrenched opposition parties, such as the PPP, and hence they were soon alienated by the opposition parties. As a political party GUARD was “unable to convert its popular appeal into a viable political organization for contesting elections.(Hintzen LACCR 1989-1990).”

¹⁴⁰Quoted from Hintzen LACCR 1989-1990

States State Department stating that “in no uncertain terms”¹⁴¹ the US expected the PNC to work hard at having free and fair elections, and finally with the members of the US Senate and House of Representatives demanding that the Secretary of State “seek to ensure that US taxpayer dollars do not support...and entrench a regime that holds power only through electoral fraud.”¹⁴² The United States backed up its threats by cutting its foreign aid allocation to Guyana from between \$10-13 million to a mere \$1 million dollars. Congress agreeing to withhold \$600,000 in economic aid to Guyana until a concrete plan for election reform was in place further supported this.¹⁴³

These major changes culminated in the first free and fair elections in October of 1992.¹⁴⁴ As the various coalitions for a national front government began to fracture, as observed by the disintegration of the PCD and GUARD, and the inevitability of electoral reforms the PPP announced the decision to contest the elections on its own.”¹⁴⁵ The PPP made this decision based on its ability, specifically on words of Mr. Jagan, to convince members of the international community that it was no longer committed to a socialist program of development. In the United States Jagan met with several lawmakers from Congress, Bush administration officials, and the Republican Elephant Forum to talk about the party’s commitment to democratic reforms and economic reforms as supported

¹⁴¹See Hintzen LACCR 1989-1990

¹⁴²Quoted from Hintzen LACCR 1989-1990

¹⁴³Hintzen LACCR 1989-1990

¹⁴⁴It is important to note that while the PNC acquiesced to electoral reforms there were a number of obstacles to elections actually taking place in a free and fair atmosphere. For example there was the issue of questioning the autonomy and legitimacy of the Elections Commission which was heavily staffed by PNC supporters. Secondly the matter of compiling a new voters’ list concerned opposition party members due to the fact that party scrutineers were not permitted to stand next to Election Commission workers as they complied voter information. Finally the PNC used Constitutional mechanisms to prolong the life of parliament claiming that more time was needed to prepare a voters’ list; See Hintzen LACCR 1989-1990; R. Premdas, *Guyana*, in Democracy in the Caribbean, 1994, pp 56-57; and Economist Intelligence Unit,

by the United States.¹⁴⁶ Interestingly, Mr. Jagan even hired a Washington Law firm to assist him in negotiating through the various decision-making centers in the United States.¹⁴⁷ In several interviews Mr. Jagan consistently recasted himself as no longer being a communist and calling himself a “Gorbachev before Gorbachev,”¹⁴⁸ suggesting that his conversion from socialism to the practice of free market capitalism did not take place overnight. Further reinforcing Mr. Jagan’s capitalist conversion were his public admissions that his party was more equipped at attracting foreign investors,¹⁴⁹ supporting private enterprise and privatizing government-owned industries, such as sugar and bauxite.¹⁵⁰

PPP’s 1992 victory and consolidation of power

The People’s Progressive Party in alliance with the Civic Party, under the leadership of Dr Cheddie Jagan, won the October 5 1992 elections after being in opposition for twenty-eight years. In an interview conducted with the ex-Minister of Finance, during the first of half of the PPP/Civic government, Mr. Asgar Ally, describes the nature of the PPP/Civic alliance and the necessity for such an alliance:

The PPP was a Marxist party; Jagan therefore knew that he could not go to the country and international community as a Marxist party, and even the Americans told him that. What he did was he brought a couple of business men and a few professionals and formed what he called a Civic group ... They had an arrangement in which the Civic element would control 20% of the seats in the house and be entitled to four Ministerial post in the

Guyana, 1991-1992.

¹⁴⁵ See Hintzen LACCR 1989-1990

¹⁴⁶ See *Miami Herald* 8 November 1990

¹⁴⁷ See *Stabroek News* 30 October 1990

¹⁴⁸ See *The New York Times* 5 July 1991

¹⁴⁹ Ibid

¹⁵⁰ See *Stabroek New* 7 April 1990

government. In that sense he brought in Hughley Hanoman, a businessman and former PNC man, Kim Kisoona a businessman and professionals such as the Attorney General and Sam Hinds [an engineer], and myself, who was not part of Civic but operated as part of Civic, because I was not a Marxist. Jagan then went to the country with PPP/Civic, making Sam Hinds his Prime Minister (Ally: interview 1998).

Apart from attempting to satisfy PPP detractors and critics with regards to its ideological commitment, Jagan also recognized that the highly volatile issue of race had to be addressed. In this respect Jagan's naming of two Afro-Guyanese - Sam Hinds as Prime Minister, and Dr. Roger Luncheon, as his Chief of Staff - to prominent positions within the administration was one way of signaling the inclusive nature of the predominantly East Indian party.

Upon winning the October elections, the PPP/Civic government was immediately confronted with the fact that they had inherited an Economic Recovery Program (ERP) introduced by the previous government. Essentially the PPP had to make a decision of whether to maintain the Fund and Bank programs and hence continued access to the resources of the international community or whether to renege on Guyana's commitment and risk losing badly needed international financial capital. This generated an extensive public debate, given the fact that the PPP in its 1992 elections manifesto threatened a clean break with the ERP if voted into office. As the former Minister of Finance, during the PPP's reign noted, "the party called it the ERP - the Empty Rice Pot."¹⁵¹ Secondly, given the PPP's political history as a Marxist/Leninist party there was much speculation as to whether the government would reject or accept the market oriented policies embodied in the ERP.

¹⁵¹ Interview : Agar Ally

However, the suspense was soon ended regarding the question of "what will be the response of the PPP towards the ERP." One of the first signals was the invitation by the PPP to the members of a Civic group to form a coalition government.¹⁵² This was significant in the sense that the members of the Civic component came out of past reform movements, such as, the PCD and GUARD, organizations that had repeatedly campaigned for economic liberalization and political freedom. Civic's coalition with the PPP suggests that these were issues that Civic was able to get the PPP to committed to. Secondly, the appointment of Asgar Ally as Minister of Finance gave some indication that the PPP was leaning towards retaining the ERP trajectory. Ally was in part responsible for the economic reforms in Jamaica in the 1980's.¹⁵³ Ally's maiden budget speech in March of 1993 was ample evidence that the PPP/Civic government intended to pursue "development with a human face in the context of a market-oriented economy (G.O.G. Budget Speech, 1993: 3)."

The first term of the PPP/Civic administration, 1992 to 1997, can be characterized as a period of economic continuity within the parameters of the ERP. However, although the PPP/Civic government reinforced the major tenants of the ERP, initiated by the PNC, there were modifications in the areas of the social sector, physical infrastructure and, privatization.

¹⁵²In forming the coalition government a compromise was struck between the PPP and the Civic party whereby the Civic fraction was promised the Prime Ministerial post in every PPP government.

¹⁵³Ally, a Guyanese, held a number of prominent posts in the Jamaican financial sector. These included: former Economic Director of Jamaica's Central Bank, Deputy Governor of the Bank of Jamaica, President of the National Investment Bank of Jamaica and Executive Chairman of the Caribbean housing Corporation.

Roots of Economic Crisis

Prior to the PNC government introducing the ERP in 1989, the Guyanese economy was in shambles. The recorded growth rates, as represented by the Gross National Product (GDP), figures for the years 1985 to 1988 can best be described as dismal. In 1985 the GDP was 1.0 percent approximately a 1.0 percent decrease from 1984. By 1986 and 1987, GDP was recorded at 0.2 and 0.3 percent respectively. The economic performance of the Guyanese economy in 1988 showed no significant signs of improvement recording only a 1.0 percent GDP. Inflation rates during the period of 1985 to 1987 fluctuated between 15 percent in 1985 to 7.9 percent in 1986 and again to 28.5 percent in 1987 before leveling off again at 15 percent in 1988.¹⁵⁴

Guyana's external debt by 1987 totaled US\$1,752 million, of which US\$505million was owed to International Financial Institutions (IFI's) such as the IMF, World Bank, the Caribbean Development, the International Development Bank, OPEC and the European Community. The remaining external debt owned was mainly in the form of bilateral loans secured from the United States, United Kingdom, Canada CARICOM countries, Brazil, Venezuela, Kuwait, the Netherlands and Trinidad and Tobago. Guyana's total bilateral debt by 1987 equaled US\$938.2 million.¹⁵⁵

The combination of chronic external debt arrears and stagnant economic growth, as evidenced by the dismal GDP rates for 1985 to 1988, resulted in deteriorating social services and a dilapidated social infrastructure. There were increasing food shortages for basic food items such as rice and sugar (both locally produced products), flour, split peas,

¹⁵⁴See Government of Guyana, Budget Speeches 1985, 1986, 1987, 1988, 1989.

¹⁵⁵See Government of Guyana, Budget Speeches 1987; International Monetary Fund, *Guyana- Staff*

cooking oil and kerosene. These shortages more often than not gave rise to long queues of people attempting to purchase scarce items. Added to this scarcity of basic items was a burgeoning and robust parallel or black-market economy. This gave rise to smuggling and bribing of government officials by traders and business people.

The lack of government funds reduced the importation of basic medical supplies and a deteriorating health system. Infant mortality rates increased from 33.6 in 1000 in 1984 to 49 in 1000 in 1987. The life expectancy rate decreased during this period from 65 to 63 years of age (Caribbean Contact February 1989). The educational quality was similarly affected by the stagnant economic performance. According to reports published by the Inter-American Development Bank (IADD) and the World Bank in 1994, the level of educational attainment experienced by Guyana in the 1960's have systematically deteriorated over the last two decades. These reports ranked Guyana at the bottom, compared to its other CARICOM neighbors, in all the qualitative measures of educational attainment. The IADD reported that:

school buildings are in dilapidated condition, physical plants have deteriorated badly, there is a lack of instructional material and equipment there is generally, a decline in the percentage of trained teachers whose salaries can hardly be lower and inadequate staff to manage and service a system which is, not surprisingly internally inefficient (IADB 1994: 213).

Guyana's physical infrastructure also suffered from neglect for the past two decades. The roadways were in disrepair as evidenced by large potholes. The sea defense "walls" which are crucial to the protection of the coastal area also suffered from lack of maintenance.¹⁵⁶ The remaining waterways used for drainage were also poorly maintained

Report on the Policy Frame Work Paper, ESB/88/135, pp 9-13.

¹⁵⁶The coastal area, the most populated part of Guyana, lies at sea level and below sea level at high tide. For

and often resulted in the loss of several acres of rice, cash crops and cattle. The unreliable water supply was caused by poor management of the aging colonial water infrastructure and an increasing demand on water resources due to the burgeoning urban population. Eventually this translated into reduced water flows to households. This phenomenon prompted the installation of water tanks and pumps in many domestic and commercial residences (Guyana Human Development Report 1996).

The Guyana Electricity Corporation (GEC), which is integral and crucial to many aspects of national life, especially to the economic activity of the main productive sectors, had been and continues to be a source of numerous complaints.¹⁵⁷ The Guyana Water Authority (GUYWA) for many years has the blame for their inefficiency at the feet of the operations of GEC. GUYWA cites the problems of prolonged blackouts, low shedding, voltage fluctuations and motor burnouts after power surges as being caused by GEC operations. The complaints are similar in nature to those lodged by the private sector. The manufacturing sector continually argued that declining production was often due to the unreliable supply of electricity. During the 1980's, extensive blackouts led to the importation of many self-sufficient power generators for private use. Since the state was unable to supply this public service, many "well-off" private citizens took it upon themselves to supply their own needs.

a brief overview of the vulnerability posed by Guyana water ways to human and economic development see *Guyana Human Development Report 1996: 16*

¹⁵⁷Since the inception of the ERP the Guyana Electricity Corporation (GEC) has been targeted for privatization. However as late 1998 efforts to reach an agreement with several foreign investors, including two US based companies - Leucadia National Corporation based in Utah and Florida Power and Light Company - have been unsuccessful. See *The New York Times* 25 November 1996 & *The Journal of Commerce* 16 November 1990. In 1996 President Jagan's son exhibited his frustration with the frequent power shortages, one that Guyanese are daily confronted with, by laying down in front of the GEC headquarters and demanding compensation for his dental equipment. See *The New York Times* 25

Like the electricity supply the telecommunication provider, also a state owned enterprise the Guyana Telephone Company (GTC), supplied irregular and unreliable phone service. In many instances, GTC depended on electricity to provide its service. Additionally, GTC was unable to provide telephone service in new housing developments and in out lying rural areas due to insufficient telephone lines.

Put together dismal growth rates, in the 1980's, fluctuating inflation rates, chronic external debt and deteriorating social and physical infrastructure and one begins to see the obstacles to Guyana's development emerging. Both exogenous and endogenous factors can explain the origins for Guyana's economic crisis.

International Dimensions

At the international level several political and economic factors contributed to the economic crisis in third world countries in general, and Guyana in particular during the 1980's. Beginning with the resurgence of powerful conservative government in Britain, the United States and West Germany, the neo-liberal economic position stressing the superiority of the market over the welfare state resurfaced. These conservative governments had ascended to power based on the disillusionment with statist approaches.¹⁵⁸ Many western industrialized countries during the 80's faced recession, increasing budget deficits and trade imbalances all of which provided fertile grounds for the dominance of neo-liberal economic policies to prevail (Sandbrook 1993). Nowhere was this more evident than in the United States with the election of Ronald Regan in 1980. Regan began the dismantling of the welfare state buy cutting social programs

November 1996.

¹⁵⁸ In Britain Margaret Thatcher proceeded to overhaul the public sector by introducing privatization of

and President Clinton presided over its demise with the slashing of benefits to the poor as seen in the Welfare Reform Act of 1996.¹⁵⁹ The main thrust behind the dismantling of the welfare state was the idea that the size of government had to be reduced and those functions that government abdicated responsibility on would be transferred into the hands of private enterprise. As such, “market solutions utilizing private enterprise are now applied to many areas - prisons, police departments, hospitals, welfare systems, and schools - that were formally handled by local, state, and federal governments or by non-profit corporations that were subject to public oversight.”¹⁶⁰

This development was equally strengthened by the onslaught of the third world debt crisis in 1982. The debt crisis meant that third world countries, like Guyana, were increasingly becoming unable to service their debt obligations to International Financial Institutions (IFI's), commercial banks and lending countries - as evidenced by Mexico in 1982 threatening to default on its loans. This threat became a source of fear and frustration for western industrialized nations because any default could trigger financial panic, and thus the international banking system could be on the verge of collapse (Hellenier 1986). The debt crisis was in part fostered by the slow down of economic activity in the west, which in turn translated into the declining demand for products in conjunction with declining world market prices for major exports from third world countries. In Guyana's case its two major foreign exchange earners, bauxite and sugar, experienced deteriorating terms of trade during the 1980's. Additionally the debt crisis also generated reduced flows of external financing to Guyana.

government owned entities like the national health care system.

¹⁵⁹See Steven Brouwer : 1998 pp 89-93

Another major development in the international environment that further exacerbated Guyana's economic woes was the reduction of economic aid from the former Soviet Union and its satellites. The restructuring of the Soviet economy in the mid-80's initiated by Mikhail Gorbachev due to its deepening economic troubles dealt a severe blow to socialist-led developing economies around the third world. The Soviets restructuring, "raised the prospects of a significant redirection of financial and trade flows away from the third world."¹⁶¹ Not only did third world countries lose significant economic aid from the Soviets, they also lost the political and ideological support enjoyed during the cold war. The Soviet economic woes compromised its position as a dominant economic, political and military world leader.

All three of these developments in the international political economy buttressed the neo-liberal market oriented ideologies. Third world countries, like Guyana, were now faced with limited options as to where to turn for financial assistance and on what grounds to accept assistance. Given the nature of the circumstance governing the international political environment conservative governments in the west took advantage of the situation to exert their influence through IFI's - IMF and World Bank - in which they dominated the decision-making to shape the kinds of policies third world states ought to implement if they sought financial assistance.

It was during this period that the international community witnessed the resurgence of the IMF and its expanding role as enforcer of strict lending conditions for countries in arrears. The stringent conditionalities decided upon by the IMF came as a

¹⁶⁰See Steven Brouwer: 1998 pp 92

¹⁶¹Fred Halliday, "*The Third World and the end of the cold war*," 1995 pp 34.

welcomed relief for private creditors who now looked to the IMF as the restorer of a crumbling and fragile international financial system. Increasingly the IMF was asked to play an informational, disciplinary and screening role on behalf of private banks (G.K. Hellenier 1986). As Manuel Pastor Jr. (1989) suggests, the IMF became a sort of global capitalist planner. It tried to solve the collective self-interest of the banks, and used its new leverage to determine the macroeconomic policy of almost all developing countries.

Domestic Dimensions

The constraints in the international political economy during the 1980's further complicated and intensified Guyana's economic crisis internally. Guyana's main economic activity is largely concentrated in the area of production of bauxite, rice and sugar. Historically, these three industries have accounted for 80 percent of the country's total exports and 50 percent of the GDP between 1975 and 1987. The nationalization efforts by the PNC government in 1975 transferred both the bauxite and sugar industry from multinational foreign ownership to state ownership. In addition, other private entities were nationalized such as import trade, transportation, alcohol, and drug manufacturing and communication. After these entities were nationalized, the state boasted that it controlled 80 percent of the economy (Thomas 1988). The state during this period also expanded its role into education, health care and housing.

After the 1975 boom in the bauxite industry, where exports peaked at 2.4 million metric tons, the industry suffered severe cutbacks in production. The poor performance of the bauxite industry after 1975 can be traced to poor maintenance and upkeep of the

industry's machinery coupled with several labor disruptions arising from disputes between the government and trade unions. These factors contributed to reduced output quantities and inevitably made Guyana unable to satisfy available market. As Clive Thomas describes the situation:

in the case of bauxite, Guyana has traditionally supplied about 90 percent of the world's supply of calcined ore. But its inability to produce the quantities ordered and to meet delivery schedules has led to serious inroads into these markets, with Guyana's share now representing only 60% of the total (Thomas 1982: 39).

Even by 1985/1986 bauxite exports had only reached a level of 1.5 million metric tons. As Thomas concluded, Guyana's poor performance was as much a product of declining export quantities.

Similar problems were associated with production in the sugar industry. After the mid -70's, output sugar levels were substantially below the peak levels of 350,000 metric tons. For many years, Guyana had a difficult time in meeting its Lome convention quotas. Essentially the reduced earnings by these two industries meant that the government increasingly became unable finance other areas of state activity. The government relied increasingly on domestic borrowing, due to its limited borrowing options in the international arena. This translated into increased government current account deficits. Generally, the bauxite and sugar industries provided much of the governments financial resources to cover state expenditures. According to the World Bank (1992) report *Guyana from Economic recovery to Sustained Growth* the government incurred budget deficits of 2.9%, 4.8%, 4.0%, and 3.5% of the GDP from 1981 to 1984 respectively.

Guyana's other main export rice is largely a private smallholder activity with the government historically providing support in the areas of marketing and exports. The government has traditionally been the main exporter of rice. It was able to do so by creating the Guyana Rice Milling and Marketing Authority (GRMMA) and the Guyana rice Board (GRB), which required that rice farmers sell their paddies directly to these government entities.

With an increasing current account deficit, reduced limits on external borrowing coupled with building external arrears and depleted central bank international reserves the Guyana dollar became increasingly overvalued. Attempts were made by the government to rectify these imbalances in 1984 by devaluing the Guyana dollar from G\$3 to G\$4.15 per US dollar and further in 1987 from G\$4.40 to G\$10 per US dollar. Although the government introduced these measures the flourishing parallel currency market, in which many transactions took place, continued to post exchange rates between 50 to 100 percent above the official rate. Because most economic transactions took place in the parallel currency market the prices of consumer goods often reflected these rates. This factor coupled with the fact that the majority of the population was employed by the state, a state that was increasingly becoming unable to satisfy the demand for increased wages comparable to the rate of inflation, meant that much of the Guyanese population suffered insurmountable hardships.

The Turnaround in Guyana's Political Economy

After assuming the leadership position in the PNC party following the death of Forbes Burnham in 1985, Desmond Hoyte incrementally moved to restructure both the economic and political arrangements pursued by the PNC government from 1975. Hoyte who is considered more of a pragmatist than a party ideologue first moved to marginalize his two main political rivals Hamilton Green and Viola Burnham.¹⁶² Immediately upon entering office, Hoyte appointed Carl Greenidge and Winston Murray, both technocrats to the two most influential positions in the cabinet Minister of Finance and Minister of Trade and Tourism respectively. As one political commentator on Guyana points out these two appointments signaled that Hoyte was seeking a rapprochement with the United States and the IMF (MacDonald 1988). Greenwich and Murray's credentials were the kind that would be acceptable to both the US and the IFI's. In other words Hoyte's move to restructure the political environment signifies a break with the pass PNC doctrine and the development of a pragmatic approach to the economic crisis confronting Guyana.

Concluding that the remedy to Guyana's economic woes could only be accomplished by the resumption of external financial flows Hoyte moved diligently to win the confidence of the United States and the IFI's. Internationally Hoyte made several trips to the US and Canada where he repeatedly attempted to convince business leaders, economic policy groups and world leaders that Guyana intended to embark on a new development trajectory. At a luncheon for Canadian businessmen and investors, on

¹⁶²Green is considered to have the support of the black working class and the rank and file of the party, while Viola Burnham's support came from her status as the wife of the late president and the leader of the women's arm of the PNC. The constituency Green and Burnham supposedly represented were the black working class who stood to lose more from economic liberalization than any other sector of the population. Both Green and Burnham were hardline supporters of the economic development strategy implemented in 1975.

November 27, 1987, Hoyte addressed the topic of nationalization, a topic that many businessmen were most fearful of given Guyana's history in this area.

In an attempt to alleviate their fears, Hoyte stressed that Guyana was no longer in the business of nationalization and that laws were being put in place to protect the assets of investors. Secondly, he referred to a new regime of incentives designed to encourage foreign investment. In referring to the incentive Hoyte noted that:

They include, but are not confined to, tax holidays; duty free importation of equipment, machinery and raw materials; depreciation allowances; and reduced withholding taxes. Companies can qualify to operate special foreign currency accounts, thus reducing their concern about meeting foreign currency payments relating to foreign imports, the repatriation of dividends and other external payment commitments. Export allowances are also available. And since Guyana is a member of the Caribbean Common Market, companies might have access to this market if the particular operations qualify (Hoyte 1997: 61).

Similarly, Hoyte assured members of the Caribbean/Central American Action group in Miami that the investment climate in Guyana was stable. He pointed out "after more than a decade of inactivity in Guyana, the US Overseas Private investment Corporation (OPIC) earlier this year (1987) extended insurance coverage to an American company in Guyana. OPIC has also indicated its willingness to extend such coverage to other investments in our country (Hoyte 1997: 68)."

Reinforcing its commitment to encouraging foreign investment the Guyana government in August of 1988 presented the Guyana Investment Policy which stated that "there is no area of economic activity from which foreign or domestic investment is debarred, or to which the public sector has an exclusive right (Government Of Guyana July 1988)." The document also addressed restrictions on foreigners owning land and

assets. In reference to the issue of nationalization the policy paper reiterated, "it is no part of the government's policy to nationalize property. The objective circumstances, which led to nationalization during the 1970's, no longer exist. The era of nationalization is therefore to be considered at an end (Government of Guyana July 1988)."

Together, Hoyte's statements and government legislation strengthened Guyana's chances of reviving relations with the IMF. The relations between the two until this period could be characterized as hostile and antagonistic. Essentially Guyana had realized that any attempts at economic recovery centered on gaining access to external financing. However, before Guyana could gain access to IFI's resources it would have to clear its long-standing arrears. Secondly, apart from the policy initiatives taken it would have to demonstrate to the IMF that it was serious about the changes it advocated.

Hence, prior to 1988, the year that the Guyanese government began negotiations with the IMF and World Bank, Guyana instituted a number of corrective measures that were aimed at reorienting the economy governed by free market principles. Many of the measures were in the area of exchange rates and fiscal policy. Beginning in 1987 the government devalued the Guyana dollar from G\$4.40 to G\$10 per US dollar, and allowed commercial banks to operate "secondary foreign exchange" windows "with a limited number of transactions to take place at a market related rate (IMF 1988:2)." For example the special exchange rate would apply to domestic purchases of gold and diamond exports moving the rate from G\$14 (the official rate) to G\$21 per US, at the market rate. Additionally corrective measure to the exchange regime included the dismantling of the price control regime. This was characterized by reduced price controls between 1985 and

1986. The price controls that remained were limited to product produced or imported by the public sector. For example, price controls remained on edible oil, detergents laundry soap, margarine, matches, powered milk, petroleum products, rice, salt and sugar, all products that were considered to be basis necessities of the general population. There also existed a list of suggested prices posted by the government, but manufactures were not bound by these prices. The items listed were: beer, cement, cigarettes, mosquito coils, pharmaceuticals, paints and soft drinks (IMF 1988). Overall, the price decontrols coupled with the devaluation affected inflation rates, which jumped from 8% in 1986 to 305% in 1987(IMF 1988).

In the area of the public sector performance the government attempted to arrest the sector poor financial performance by investing in the rehabilitation of plants, equipment, improving managerial practices, and reducing employment and operating cost. The main productive industries, rice, sugar, and bauxite were the main targets of this effort. In the rice industry, a number of under-performing mills were closed and some land used for the cultivation of sugar converted to other uses. By 1986 there were slight improvements in earning of the Guyana Sugar Corporation (GUYSUCO) and the Guyana Mining Enterprise Limited (GUYMINE) in which they reported a surplus for the first time since 1980.

The Guyana Rice Board (GRB) in 1985 was reorganized into three independent entities, while thirty other public enterprises constituting the Guyana State Corporation (GUYSTAC) - in areas of agriculture, industry, trading, transportation and utilities - were also restructured with the intent of improving overall financial performance. As reported

in the 1988 PFP, prepared by the Guyana government in collaboration with the IMF and World Bank,

the number of corporations in the group sharing operating losses was reduced from 13 in 1984 to 6 in 1987. All in all, the overall balance of the public enterprises shifted from a deficit of 12 percent of GDP in 1983 to a surplus of 5.5 percent of GDP in 1987 (IMF 1988: 3).

These measures introduced by the government significantly aided in the reduction of the non-financial public sector deficit from 56 percent of the GDP 1986 to 38 percent of the GDP 1987 (IMF 1988).

Demonstrating its commitment to improved relations with the private sector the government introduced a number of private investment incentives. These covered the areas of reduced income taxes, expanding foreign exchange retention for a select number of private exporters and granting export licenses to registered rice producers and millers.¹⁶³

Generally, all of these measures introduced and implemented by the government can be characterized as the extension of an "olive branch" by the government to the IFI's, signifying its commitment to economic reforms and readiness to engage in negotiations in good faith. Hence, in 1988 the government of Guyana signed a Policy Framework Paper (PFP) that spelt out what further measures Guyana was going to take in order to comply with the conditionalities of IFI leading in return for access to its resources.

¹⁶³ Prior to the introduction of this measure the government was the major rice exporter. Since divesting itself of the rice mills it is the private rice mill owners that pay the farmers directly. This has increased the prices for paddies, encouraged rice farmers to put new lands under cultivation, and upgrade their facilities. Additionally rice millers have increased their access to overseas markets, for example to the European Community (EC). See comments made by Winton Murray, former Minister of Trade and Industry in

Economic Policies and Measures implemented under the ERP

On the 15th of June 1988 the Guyana government signs a Policy Framework Paper (PFP) the was prepared in close collaboration with the International Monetary Fund (IMF) and the World Bank laying out the economic policies and objectives for a three (3) year period, October 1988 to September 1991. The objectives of the 1988 PFP were as follows:

- a) provide a basis for substantial economic growth in the context of low inflation and a viable balance of payments over the medium term;
- b) incorporate the parallel economy into the official economy; and
- c) re-establish normal financial relations with external creditors (IMF; 1988: 2).

Accordingly the achievement of these objectives hinged on a number of policies that were to be implemented by the Guyanese government within the mentioned three year period. The policies encompassed three (3) broad policy areas: 1) Incentive policies - exchange rate, domestic pricing, exchange and trade restrictions, competition policy; 2) Sectoral policy - agriculture, forestry, fishing, mining, manufacturing; 3) Fiscal policy and Public Sector reform - central government, public enterprises, public investment, monetary policy, income policy, external debt policies, social impact of program.

However, there were key policy areas that were identified as crucial to Guyana's economic recovery that have become part of the standard structural adjustment program packages advocated by the IFI's.

Guyana at the Crossroads 1992: 4. Essentially the divesting of the rice industry has taken it out the government out of the picture at the "middle-man".

Exchange Rate Policy

This policy area is perhaps one of the most important policies identified as being essential to Guyana's economic recovery. The setting of an appropriate exchange rate was viewed as instrumental to increasing Guyana's export-oriented growth. Hence, it was considered necessary for Guyana to adjust its exchange rate through the method of devaluation. This meant that the government would have to devalue the Guyanese dollar below the 1987 level of G\$10 to 1 US dollar. Furthermore, the adjustment of the Guyana dollar was viewed as a means of incrementally unifying the parallel market exchange rate with the official market exchange rate.

An additional measure identified in this area was the issue of "foreign exchange retention" for exporters. The government would seek to guarantee a group of selected exporters access to foreign exchange. This was to be achieved through exporters being able to retain a certain percentage of their export earnings, which could then be used to for the importation of spare parts, machinery and equipment. The select group of exporters identified to receive these guarantees were located in the sugar sector - which was to be allowed to retain approximately 15 percent of their export earnings, the gold miners - who were to be allowed to retain 20 percent, whereas other private sector exporters could retain, as much as, 50 percent of export earnings. The remaining foreign exchange earnings were to be diverted towards foreign budgeted expenditures by the Ministry of Finance.

Domestic Pricing

In an attempt to liberalize the prices, the government agreed to dismantle price controls to avoid disincentives to producers in the private sector by continuing to offer subsidies to consumers. Historically, through its price control regime the government was able to protect the most venerable citizens in society from inflated prices on basic items by introducing subsidies. However, this practice affected the financial returns of both private sector companies and public enterprises. Therefore it was decided that in order to ensure adequate returns to public enterprise the "price of goods and services produced or imported by the public sector will be based on the cost of production, importation and distribution and, where appropriate, international prices (IMF 1988:7)." By the start of the program edible oil, laundry soap and matches were to be removed from the price control list, while petroleum products, sugar, rice, transportation and a limited number of basic essential commodities were to be removed during the program. The government further noted that all remaining price controls and public sector prices would be constantly reviewed and adjusted in line with currency adjustments, except for electricity.

Exchange and Trade System

To further the liberalization of the exchange rate regime in combination with the trade system restrictions were to be loosened on access to import licenses. This was to take place within the areas of lifting import prohibitions on furniture, alcoholic beverages and motor vehicles. However, import prohibitions would remain on food products that compete with locally produced food. In the past, the government had prohibited the importation of certain items due to limit supplies of foreign exchange accessible from the

central bank. To ensure this practice was adhered the government tied access to foreign exchange to the acquisition of import licenses. Therefore, in order for a business to get foreign exchange from the Bank of Guyana the particular import had to be sanctioned by government authorities.¹⁶⁴

First, the government was to eliminate it "no foreign exchange"(those not involving purchases in the official exchange market) rule attached to import licenses. Therefore, import licenses were to be granted automatically as long as the transaction was considered legal. Additionally during the phasing in of the unification of the parallel and the official market, import licenses for purchases at the official rate would continue, for six (6) months, to be on a priority, but nondiscriminatory basis. It was envisioned that after the six (6) month transition period import licenses, whether for commodities given priority preferences by the government or not, would be automatically issued.

Competition

This policy issue is linked to the area of exchange and trade system policies. Generally, it deals with policies to enhance the role of the private sector and promote competition. In order to increase private activity in areas of domestic and foreign trade restrictions that prohibited this would be removed. The restrictions on foreign exchange purchases, for example, have historically restricted private activity in areas that the state dominated. Hence, the government promised to discontinue public transfers, in other words subsidies, to public enterprises in agriculture, manufacturing, and domestic and foreign

¹⁶⁴ Essentially this practice encouraged many business people to transact most of their business in the parallel economy by purchasing currency on the black-market and then smuggling imports into the country.

trade. Complimenting the discontinuation of subsidies to the public enterprises the government agreed to reduce the scope of their involvement in non-sugar agriculture, manufacturing and foreign trade. The government had made initial steps in this area when in 1985 it allowed some private rice producers to export rice independently.

There remained some exemptions to the principle of competition to the import prohibitions mentioned before: a) industrial activities protected under existing CARICOM legislation or arrangements; b) the production and marketing of bauxite; c) the exportation of gold produced by small-scale operators; d) the exportation of sugar; e) the importation of commodities obtained under food aid programs; and f) the importation of cement, pharmaceuticals, salt (IMF 1988: 9).

Fiscal Adjustments

In order to reduce public sector expenditures and increase its revenues the cost of production, importation, distribution and international prices would determine pricing and tariff policies. The workforce reduction would allow the government to cut its wage bill in the public sector. To further increase its tax base the government would strengthen its tax administration restructure the excise and consumption taxes by reducing the number of exemptions. It was envisioned that by taking the mentioned steps tax revenues could contribute to an increase in GDP by 2.5 percent during the period of 1989 to 1991. The strengthening of public sector performance was to be further enhanced by eliminating overlapping functions and reducing the size of the civil service. No new public enterprises were to be established and non-viable money-losing public operations

This further placed a strain on the collection of tax revenues for the government.

were to be closed. Remaining public enterprises were to be privatized through the mechanisms of joint ventures, equity participation, leasing and managerial contracting.

Monetary Policies

Monetary policies largely referred to the reduction of extension of credit to the public sector. It was agreed that the Bank of Guyana would refrain from extending credit to the non-financial public sector. Again, this measure attempted to free up financial resources for the use of the private sector further enhancing their role and promoting competition. Secondly, this policy was aimed at restraining public sector spending. It was also concluded that credit rates would be freed from the constraints of being tied to the official exchange rate and would instead be set in conjunction with commercial bank rates.

Public Sector Investment Program (PSIP)

This program is geared towards the rehabilitation of the productive capacity of the public sector and the dilapidated infrastructure in order to support the overall objectives of economic reform and increasing exports and fostering private investment.

Approximately 14.6 percent of the resources allocated for the PSIP were targeted for the agriculture sector, another 14.6 channeled to mining, 26.2 percent to the construction of roads, bridges, wharves and mostly importantly the rehabilitation of the electricity corporation. The rehabilitation of the social infrastructure was awarded 14.6 percent. The

transportation and communication sectors were allocated 7.6 percent, internal security and administration 2.3 percent and the manufacturing sector 20.1 percent (IMF 1988: 17).

Sectoral Policies

In the area of agriculture the two main industries which are the mainstay of the country's economy, sugar and rice were expected to contribute to export oriented growth, while emphasis was also placed on developing and promoting non-traditional crops, such as, forestry and fishing. Sugar outputs were targeted at approximately 240,000 metric tons annually during the period 1989 to 1991. It was projected that approximated annual levels would still allow Guyana to meet its EEC and U.S. quotas of 167,000 metric tons and 7,300 metric tons respectively. The rice industry was expected to improve its output levels as recorded during 1985-1986 from 170,000 metric tons a year to 240,000 metric tons by 1991. Rice exports were also expected to increase from 69,000 metric tons in 1987 to 100,000 metric tons in 1991 (IMF 1988: 10).

In the mining sector, the commitment to the rehabilitation of the bauxite industry was intended to compliment the export goal of the industry. Exports were expected to increase from 1.5 million metric tons, 1985-1986 levels, to 1.9 million metric tons in 1991. Additionally with in this sector increased production and export levels were to be achieved through direct foreign investment and joint ventures. Gold production was estimated to increase from 12,000 ounces in 1985-86 to 62,000 ounces in 1990.

Guyana's manufacturing sector has traditionally only accounted for 10 percent of the export earnings, hence the manufacturing policy was aimed at creating rapid growth

within this sector. The government promised to tackle the issues of access to foreign exchange and the overvalued Guyana dollar in its exchange policy. Similarly, the electricity supply shortage was to be addressed through the Public Sector Investment Program (PSIP). To facilitate easy access by foreign investors to the technical, legal and economic information about investing in Guyana a "One stop" agency was to be established.

Social Impact Amelioration Programme (SIMAP)

Anticipating the restructuring of the Guyanese economy would create a hardship on a large segment of the population the government along with the IFI's introduced a social component in order to cushion "the negative effects of structural economic adjustment on the most vulnerable groups."¹⁶⁵ The goal of the program was to "create employment opportunities and enhance household incomes."¹⁶⁶ The groups targeted were the unemployed, urban and rural poor, small farmers, female head of households including pregnant and lactating mothers. The mechanisms through which this was to be accomplished centered on: i) provisions of cash supplements, food assistance, and income generation; ii) expanding infrastructure, minor public works, and social services; and iii) a rehabilitative component encouraging people "to develop themselves through their own organized efforts and thus regain their footing in the larger framework of the economic development programme of Guyana."¹⁶⁷

¹⁶⁵ Government of Guyana: Budget Speech 1989 pp68

¹⁶⁶ Ibid

¹⁶⁷ See Guyana Human Development Report 1996 pp 121

Initially SIMAP came under the control of the Ministry of Social Development but was later in 1990 designated a public corporation giving the agency greater autonomy. The general thrust of SIMAP was to promote a “bottoms up” approach to development. The distribution of SIMAP resources took two forms: i) either through communities identifying their own needs and applying for funding¹⁶⁸ or ii) Non Governmental Organizations (NGO’s) acting as sponsors for community based projects.¹⁶⁹ The overall implementation and success of all the policies mentioned depended to some extent on the external financing the government would receive.

Analysis of Policy Areas

From a class perspective, the policy areas examined above favor and benefit the capitalist classes. In a study conducted by Bernal, examining Jamaica’s experience with SAP’s between 1977 and 1980, he found that adjustment programs inevitably are designed to benefit the interests of the capitalist owning classes in society while generally disadvantaging the poor and the working classes.¹⁷⁰ Devaluation aids exporters by encouraging them to produce and sell more of their goods at cheaper world market prices thereby increasing their foreign exchange revenues and boosting their profit margins. On the other hand, the majority of the population sees their purchasing power reduced, as they have to shell out more money to purchase goods. The liberalization of domestic

¹⁶⁸ An example of this approach was seen in the Amerindian Project in which 9 Amerindian communities received funding for “handicraft training, agricultural projects, community centres, nursery schools, a teachers’ quarters, sewing project, water supply / well projects, primary school rehabilitation projects and bridges.” Guyana Human Development Report 1996 pp 122.

¹⁶⁹ See Ibid pp 122

¹⁷⁰ R.L. Bernal, *The IMF and Class Struggles in Jamaica 1977-1980*, 1984.

pricing through the operational measure of subsidy removals acts a precursor to true market competition by evicting the state from the economic arena. By scrapping subsidies on basic food and non-food items the market, in this case the capitalist classes determine prices and not the government. Hence, for the general population this means that prices increase on basic food and non-food items. This all takes place within the context of the state placing wage restraints which in essence precipitates a decline in real wages for workers who begin to see their standard of living declining. Liberalizing the trade and exchange regime by eliminating import licenses and exchange controls allows private capital unfettered access to importation of foreign goods with little government interference. In other words, private capital decides and not the government what commodities should be given import preferences. This elimination of import controls leads to loss of government revenue, which in turn affects the state's ability to commitment to funding social programs.

Fiscal adjustments essentially require the state to cut public spending and increase its revenues. Privatization, one of the main methods of reducing government deficits by transferring government owned entities into the hands of private capital, assumes that private capital is more capable of running these entities efficiently. However, lessons from several countries have shown that privatization tends to lead to the concentration of wealth in a few hands, primarily in the hands of foreign investors "with very little domestic ownership."¹⁷¹ Monetary policies are geared towards reducing the government's access to credit and loans, in actuality attempting to bring government

¹⁷¹See H. Prempeh, "*How not to Privatize*," 1999, pp.1 also E. Osei Kwadwo Prempeh, "*The Politics of One-Sided Adjustment in Africa: A response to Professor Osabu-Kle*," 2001, pp 570.

spending under control by restraining spending. This increases credit outlets for private capital to ensure that they will not have to compete with government entities for access to credit. As Bernal points out, this leaves loanable funds in the domestic banking system for capitalists, while on the other hand it reduces the number of outlets for state entities to access funding which in the long run hurts their ability to perform.¹⁷²

Capital appropriated for public sector investment programs tend to be funneled towards projects that enhance the activities of private capital and the goal of increasing exports. The majority of funding is concentrated within the area of improving the infrastructure to support the importation and exportation of goods. Some scholars have suggested that this is tantamount to the re-colonization of the third world, because the infrastructure just as it was during the colonial era, continues to be geared towards supporting and enhancing free trade at expense of sovereignty and the democratization of opportunities for wealth creation. Hence in the long run privatization is perceived as a mechanism to concentrate wealth in the hands of a few, particularly foreign corporations, while marginalizing domestic interests.¹⁷³ Overall, the focus on increasing production, in the agricultural, mining and manufacturing sectors, is intricately tied to maximizing export potential and increasing foreign exchange earnings. However, emphasis on increasing production in the agricultural and mining sectors is additionally dependent on the behavior of world market prices, which are set by financial institutions in the industrialized countries. Therefore, third world countries relying on the exports of primary products are practically at the mercy of world commodity prices. At the other

¹⁷² R. Bernal, "*The IMF and the Class Structure in Jamaica 1977-1980*," 1984

¹⁷³ See Daniel Tetteh Osabu-Kle, "*The Politics of One-Sided Adjustment in Africa*," 2000 pp 515- 533.

end of the spectrum, increases in exports can actually led to a saturation of commodities on the world market leading to lower prices for exports. As Walden Bello describes Mexico undertook a series of devaluations in the 1980's in order to increase and promote its export competitiveness. However, "increased exports of goods from Mexico actually contributed to lowering their price in the world markets, so that the value of Mexico's exports was actually less in 1988 than it had been in 1982."¹⁷⁴

Poverty alleviation programs, like Guyana's Social Amelioration Programme (SIMAP), while a later addition to standard structural adjustment packages, have been established to address issues of income dislocation as the economy is restructured. For example as governments are encouraged to cut budget spending by downsizing the state bureaucracy, through massive layoffs, workers are often left without a source of income. Hence, the World Bank and other international organizations established 'Programme of Actions to Mitigate the Social Cost of Adjustment (PAMSCAD),' "which were designed to create a large number of public employment programs and help laid-off civil servants to find new jobs."¹⁷⁵ However, while many programs of this kind have been introduced and widely publicized they have been less than effective due to the lack of financial resources and the underestimation by governments of the number of people in need of the services the program seek to address.¹⁷⁶

also Claude Ake, Democracy and development in Africa, 1996.

¹⁷⁴Walden Bello, Dark Victory: United States, Structural Adjustment and Global Poverty, 1994, pp 39.

¹⁷⁵Eva Jespersen, quoted in Walden Bello, "Adjustment the Record," Dark Victory: United States, Structural Adjustment and Global Poverty, 1994, pp 50

¹⁷⁶Walden Bello, 1994, pp50

Effects under the ERP 1989 to 1992

At the beginning of the adjustment program in 1989 the Guyana dollar was devalued from G\$10 to G\$33 per US dollar this marked a depreciation of 70 percent overall. In the parallel market, there were a number of fluctuations of the Guyana dollar against the US dollar. Between mid-April to the end of May 1989 the Guyana dollar fell from G\$54.00 per US dollar to G\$46.00 per US dollar. From June of 1989 there was again an upward trend where the Guyana dollar appreciated to G\$51.00 per US dollar and by mid-September fell again to G\$47.25 per US dollar. By the end of 1989 the Guyana dollar stabilized at G\$49.50 per US dollar. The 1989 devaluation spurred higher inflation rates as significant price increases affected real wages.

The 1989 Dealers in Foreign Currency Act passed in parliament on March 13 1990 allowed the licensing of persons buying and selling foreign currency. This gave rise to what has popularly become known as *cambios*¹⁷⁷ (Ferguson 1995). The government also passed the Hotels Bill Act (receipt of charges in specified foreign currency) that gave hotels the right to collect bills in the foreign currency and to be able to retain a portion of the receipt. In the past customers changed foreign currency on the black-market and paid hotel bills in local currency. Essentially these acts signified steps by the government to further integrate the official and parallel markets and to increase the supply of foreign currency.

Accompanying the devaluation was the introduction of a flexible exchange rate policy, which was to take into account domestic wages and prices in relation to those of Guyana's main trading partners. In addition, the foreign exchange retention scheme was

to be eliminated by September 1989. However, between April 1 1989 and September 1989, retention quotas were to be unified at a rate of 10 percent.

Again, in 1990, the government announced another devaluation of the Guyana dollar. The Guyana dollar moved from G\$33 to G\$45 per US dollar marking a depreciation of approximately 27 percent. The government also shifted all transactions of non-traditional exports and certain imports and services from the official exchange rate to the cambio markets. A further devaluation of the Guyana dollar took place in 1991 when it was announced that it would move from G\$45 to G\$101.75 per US dollar in an attempt to bring the official rate more in line with the parallel market rate. By 1992, the last term of the PNC reign, no further devaluation announcements were made given that it was an election year. The Guyana dollar stabilized at approximately G\$125 per US dollar. However, the overall effect of the reform of the exchange rate benefited nontraditional exporters, "Guyana's main products suffered from the effects of a dual exchange rate system which applied an overvalued official rate to traditional products (World Bank 1992: 3). "

By the start of the ERP the remaining price controls were limited to margarine, petroleum products, powdered milk, rice, salt, sugar, bus and taxi fares, medical care, education, communication and utilities. Non-binding prices were only limited to cement and soft drinks. The devaluation wreaked havoc on the prices of consumer goods with prices increasing by 100 percent to 225 percent. The domestic price of sugar increased by 115 percent by October 1 198, the price of paddy and rice also increase to reflect higher prices of the cost of production. Cooking gas prices rose by 244 percent. By 1991, the

¹⁷⁷Cambios were stores licensed by the government to sell foreign currency.

government moved to eliminate price controls on rice petroleum products and bus and taxi fares. As a result, petroleum prices rose to between 130 to 170 percent. Domestic prices of sugar increased by 185 percent. These price increases spurred strikes in the bauxite and sugar industries as real wages declined.

In an attempt to further reduce government spending and increase revenues, the government in April of 1989 eliminated most exemptions from consumption taxes and import duties previously granted to the public sector. This effort essentially sought to promote competition on a level playing field for the private sector and widen the tax base. GUYMINE and GUYSUCO lost their tax exemption status on inputs and capital goods. Similarly, the excise taxes on beer and malts were increased. The duty paid on beer manufactured in Guyana moved from G\$18 per liquid gallon to G\$29.70 per liquid gallon. In 1990, the government further eliminated exemptions on fuel, and imports of agricultural, forestry, and mining equipment. By 1992, the consumption taxes were eliminated on medicines, essential foods and educational materials, and reduced consumption taxes on cigarettes, certain textiles and electronic goods.

However, while the government made a concerted effort to reduce its spending and increase its revenue higher transfers to the Guyana Electricity Corporation in 1989 and 1991 increased its current expenditure. The government's current expenditures as a percentage of GDP were 35.9 percent, 48.5 percent and 51.6 percent for 1989, 1990, and 1991 respectively (World Bank 1992). The savings expected due to increases in operational surplus of the public corporations did not materialize. The net foreign earnings of the sugar industry fell from US\$90.4 million 1987 -1989 to US\$70.5 million

in 1990 due to dramatic declines in production. Bauxite earnings fell from US\$86.2 million in 1987 to around US\$73.4 million in 1989. By 1991, the fiscal position of the central government began to improve. Public corporations generated a surplus of G\$6,800 million. Added to this the public sector deficit was slightly lower in 1991 due to a 40 percent shortfall in the public sector investment outlay. Overall, the public sector deficit dropped from 70 percent of GDP 1991 to 31.1 percent by the end of the 1992 fiscal year.

The process of divestment of public enterprises also complimented the performance of the public sector deficit. By 1992, the government had completed the sale of nine enterprises, offered share in four and contracted out the management of two. It is estimated that the total proceeds from divestment up to 1991 (excluding the sale of GTC, SAPIL and the rice mills sold by GRMMA) were approximately US\$33 million (World Bank 1992).

The trade regime system by 1992 had more or less been fully liberalized. Import prohibitions were eliminated except in the case of food items such as meats and jellies. Import prohibitions on these items remain in order to protect the local producers from competition outside of the CARICOM region. In addition, in an attempt to further reduce tariff rates, the government adopted the Common External Tariff (CET)¹⁷⁸ in 1991. The CET schedule ranges from 0% to 45% within the following broad categories: a) a 5-10% rate on imported inputs and basic commodities (food stuff and critical supplies) that do not compete with CARICOM production; b) a 20 - 30% rate on inputs and commodities

¹⁷⁸The Common External Tariff was an agreement reached by the 13 members of the Caribbean Community and Common Market (CARICOM).

that do compete with CARICOM production; c) a 30% rate on final goods (excluding basic commodities) that do not compete with CARICOM production; and d) a 45% rate on final goods (excluding basic commodities) that do compete with CARICOM production.¹⁷⁹

However, while these tariff rates were in place the government continued to offer exemptions from tariffs on an arbitrary basis. According to the 1992 World Bank report on Guyana's economic progress, 80 percent of the imports in 1990 were exempt from customs duty. This in turn resulted in the government obtaining about a 5 percent collection rate as oppose to a 20 percent rate. The licensing for imports and exports remained and the process obtaining licenses simplified. By 1990, licenses were granted automatically and in most cases within 24 hours. Export licenses were required for food products, fertilizers, hides and skins, gold and precious stones, metal products, machinery, vehicles and various instruments. Licenses for imports remained on pharmaceuticals, cosmetics, foods and some chemicals. Overall, licenses are required for health safety.

In an attempt to enhance the role of the private sector and promote competition the government, by 1990, created the Guyana Manufacturing and Industrial Development Agency (GUYMIDA). The agency was designed to assist the manufacturing sector with technical support and bureaucratic requirements of investing. In 1990 the agency approved 11 applications packages for investment, which totaled approximately US\$37 million, whereas in the first 4 months in 1991 it approved 10 fiscal incentive packages totaling US\$46 million.

¹⁷⁹See World Bank 1992

Between 1989 and 1992, the consumption tax rates were reduced from a 30% to 10% to 0% band. The highest rates tended to apply to cigarettes and tobacco products, while consumption tax rates on luxury items, such as, hard liquor, beauty products, tableware, electronic and electro-mechanical goods were taxed at relatively low rates. By 1992 Company taxes were reduced from 45% to 35%. Overall, the fiscal incentives granted by the government - tax holidays, company taxes, exemption from duties and consumption taxes- amounted to US\$10 million in 1990 and US\$61 million by 1991.¹⁸⁰

By 1990, the government adhered to its promise to allow interest rates to be determined by the market. Interest rates between 1990 and 1991 shifted from 305 to 32.5% and commercial banks were allowed to set rates independently. Additionally the government moved in 1991 to introduce bidding on treasury bills as a means of mopping up the liquidity in the system. In addition, the decline in borrowing by the public sector, by 1991, opened the door for increased borrowing by the private sector. By the end of 1990, the banking system had lent approximately G\$4,159 million to the private sector.

By 1991, the government witnessed a turn around in the agricultural and mining sector. Bauxite production increased by 7% compared to 1990, however, this was 15% below the year's target. This was in part due to falling international demand and low equipment availability. Nonetheless, export earnings increased by 8% to reach US\$92 million. Gold production went over its target by 40,500 ounces and a 53% increase in declaration occurred. The improvement was credited to enhanced pricing arrangements and a revision of foreign retention accounts accorded the industry in 1991. Overall, gold

¹⁸⁰World Bank 1992

exports in 1991 recorded the highest increase of all other exports. It contributed US\$18 million to Guyana's foreign exchange earnings.

Sugar production in 1991 also exceeded its target of 165 due to heavy investment in machinery equipment, spare parts and improved industrial relations. The replanting program also accelerated this boom. It was reported by the Minister of Finance, in his 1992 budget speech, that for the first time in four years Guyana was in a position to meet its EC quota in full and resume access to the US market after an absence of three years.

Rice production came in at 61% above its 1990 rates and 3% above the 1991-targeted rate. Earnings in 1991 from an output of 54,047 tons were US\$17.3 million. Export in non-traditional exports on fish and shrimp increased by 61% and 28% respectively. Overall earnings were US\$22 million as compared to US\$18.2 million in 1990. The manufacturing sector's growth in 1991 was also improved slightly recording a 2.75% growth rate. Increases in production were also reported in the following industries: soap (54%), cigarettes (25%), margarine (13%) and refrigeration (11%).

Despite the governments laudable efforts in 1988 to establish the Social Amelioration Programme (SIMAP) to cushion the negative effects of structural adjustment on the most vulnerable groups in Guyanese society their initiative encountered many obstacles. SIMAP, the first of kind in the Caribbean, met its first obstacle in 1989 when it was introduced due to insufficient funds. In the 1990 Budget Speech before Parliament the Minister of Finance noted that the success of SIMAP depended on funds promised by the international community to Guyana. Because the expected funds from the international community were not forthcoming, the Minister

indicated that the government had to use some of its own resources to jump-start the program.¹⁸¹ As a result, the government created the Emergency Relief Programme (as a precursor to the formal introduction to SIMAP), which offered cash supplements to those on public assistance and lactating mothers. By 1989, the program had provided relief to only 80,000 beneficiaries at a cost of G\$17.5 million.¹⁸²

By 1991, after the both the IMF and the World Bank acknowledged the disappointing results of SIMAP, the International Development Bank (IDB) granted US\$2.8 million to begin the formal arrangements of SIMAP.¹⁸³ By establishing SIMAP as an autonomous body, it was expected that external resources would begin to flow into the agency.

Effects under the ERP from 1992 to 1997

By the time the PNC government was voted out of office on October 5 1992, and the PPP/Civic government took over, the Guyanese economy was on the road to recovery.¹⁸⁴ Generally, the Guyanese economy was flourishing by the end of 1992 and continued to do so until 1993. From 1992 to 1994, the GDP growth rate was on the upswing moving from 7.7% to 8.3% to 8.5% 1992, 1993, and 1994 respectively and then

¹⁸¹See Government of Guyana : Budget Speech 1990 pp 20

¹⁸²The Minister of Finance noted that the government had underestimated the number of potential beneficiaries due to the inability of the government to service the poor in the hinterlands and the overburdening of the health care system as the number of poor gravitated to health centers the cost increased and the availability of personnel to service the poor were lacking. Thus the actual number of beneficiaries rose from 80,000 to 135,000. *See Government of Guyana : Budget Speech 1990 pp 20.*

¹⁸³See IMF: Guyana Policy Framework Paper 1991 -1993 pp 26-28.

¹⁸⁴According to Guyanese economist Clive Thomas the statistical data indicating country's road to recovery, should be consumed cautiously. Thomas attributes this to a grossly neglected statistical service in the country along with the inability of the government to account for the activities in the rampant underground economy. *See Guyana Review* January/February 1996 pp 5.

slightly leveled off to 5.1%, 7.9% and 6.3% in 1995, 1996, and 1997 respectively.¹⁸⁵

Inflation rates fluctuated between 7% and 16.1%. The slightly below performance of the economy with a 5.1% was due in part to the closing of the Omai Gold Mines Limited when a cyanide spill took place. The current account deficit during this period began to show signs of decreasing due to larger inflows of external aid and increases in production levels.

However, while the figures confirm that the PPP government continued the ERP policies and did nothing to really derail the process there were some modifications to the program introduced under the PNC. The first was the government's heavy emphasis on spending in the social sector - health care, education,¹⁸⁶ and housing as demonstrated by increases in budget expenditures of between 6 and 8% of the national budget for each area. This was particularly reflected in the 1995 government spending on education, which was 8.3 % of the budget compared to the 2.9% spent in 1991 under the PNC regime.¹⁸⁷ The Public Sector investment Program was successful in creating new road construction and rehabilitating the roads already in place. There were also major reconstruction projects of the airport, police and fire stations.

A centerpiece of the PPP's social initiative was its concern with poverty alleviation. In 1993 in his maiden budget speech the Minister of Finance for the PPP government, Mr. Asgar Ally, noted that in addition to the SIMAP playing a role in

¹⁸⁵See Government of Guyana: Budget Speeches 1993, 1994, 1995, 1996, 1997, & 1998

¹⁸⁶Importantly by 1993 the Government had made the decision to introduce a user fee for education at the tertiary level. In September of 1994, the beginning of the academic year the government instituted a student loan program at the University of Guyana which was intended to "offset the price-tag that accompanies a quality education, and concomitantly to increase the earnings of lectures." *See Government of Guyana: Budget Speech 1993 pp 20.*

¹⁸⁷See Guyana Review: January/February 1996 pp 7

poverty alleviation the government was also in the process of implementing a Basic Needs Project.¹⁸⁸ The project was intended to augment the already existing SIMAP by providing funding for infrastructure rehabilitation. However, by 1994 the IFI's acknowledged that while high growth rates existed poverty in Guyana remained high. They pointed out that although the government spent US\$11 million by the end of 1993 on poverty alleviation half of the population was still below the poverty level. As such the IFI's called for a renewed acceleration of the poverty alleviation programs.¹⁸⁹ By 1995, the government committed itself to further poverty reduction by offering to spend G\$1.2 billion over the next three years. In 1995 it earmarked G\$500 million dollars for poverty reduction programs. By 1996, it had only managed to spend G\$247 million, "less than one-half the sum committed."¹⁹⁰ Significantly, the under-spending of anti-poverty programs, which characterized the first term of the PPP government, is attributed to the lack of a clear institutional framework whereby a number of the poverty reduction programs were housed in the Ministry of Finance. According to Clive Thomas, one of Guyana's notable economists, the location of these programs in the Ministry of Finance militates against the reduction of poverty, "because of its (Ministry of Finance's) overwhelming preoccupation with day-to-day firefighting responsibilities, it is unfair to expect this Ministry to be able to manage also a vigorous medium to long-term anti-poverty programme."¹⁹¹ Among the other factors cited as being responsible for the failure of the government's anti-poverty programs are lack of a coherent focus among the several

¹⁸⁸ See Government of Guyana : Budget Speech 1993 pp 10-11

¹⁸⁹ See State Paper : Guyana Policy Framework Paper 1994-1996 pp 19-20

¹⁹⁰ See Clive Thomas Guyana Review: January/February 1996 pp 7

¹⁹¹ Ibid

programs, which inevitably leads to omissions of particular needs, and finally, the absence of statistical data informing income distribution in Guyana. This information would help to point out which groups need to be targeted for help.

Another major achievements during this period of the PPP regime was the formulation and implementation of a Privatization Policy Paper in 1993 detailing the restructuring of the privatization process initiated by the former government. The paper stated that the government seeks “to halt divestment of national assets at the give-away prices and with rampant racketeering as practiced by the former regime.”¹⁹² The new privatization process required that the practice of competitive bidding be put in place to ensure integrity and transparency. It involved publication and notification of the sale of government property and a time frame between publication and date of bidding. Secondly, the sale of stocks was encouraged in public enterprises to the public. Additionally, a 10% of capital stock of enterprises have to been reserved for acquisition by its employees.¹⁹³

The government established a Privatization Unit (PU) headed by an Executive Secretary, which would come “under the purview of the cabinet.”¹⁹⁴ The PU was created to establish procedures to carry out privatization transactions which would transfer “to the private sector management, ownership and/or control of certain public enterprises presently owned/controlled by Government.”¹⁹⁵ In addition, a Privatization Board was created at the cabinet level and appointed by the President. The function of this body is to

¹⁹²Government of Guyana : Privatization Policy Framework Paper 1993 : 4

¹⁹³Government of Guyana : Privatization Policy Framework Paper 1993 pp 7-10

¹⁹⁴Ibid pp 12

¹⁹⁵Ibid pp 8

ensure that all procedures and safeguards are established and guarantee transparency. In essence, the board serves in an advisory capacity. It consisted of five members of whom the head is the Minister of Finance, followed by the Ministers of Trade and Tourism and Agriculture. A prominent member of the private sector is also appointed and the other is a rotating position shared between one labor and one consumer group representative.

By 1996, the PPP administration made significant strides towards privatizing many government-controlled entities. Among the state controlled entities privatized were the selling of government shares in the Demerara Distilleries Limited, the Pegasus Hotel and the Guyana Bank for Trade and Industry. The government also renewed the management contracts of the two foreign companies managing the sugar and the bauxite industry.¹⁹⁶ By 1996, the 21 state entities scheduled for privatization in 1993 had been reduced to 16.

However, despite the government's privatization record major obstacles remained towards the full realization of its efforts. One of the major roadblocks in the governments privatization program was its inability to divest the Guyana Electricity Corporation (GEC). The privatization of GEC soon become the litmus test, among investors, as to whether or not the government was serious about privatization and foreign investment. As one reporter for the Wall Street Journal noted in an article titled: *'Guyana's Jagan Has Ideals but Few Deals: Many Wish Leader Were More Practical on Privatization'* "the electric-company privatization has become the bellwether of Guyana's future."¹⁹⁷ However, the Jagan government was not willing to relinquish control of the government

¹⁹⁶See State Paper: Guyana Policy Framework Paper 1994-1996 pp 8-10, and Government of Guyana: Budget Speech 1995 pp 24-25.

run entity citing that the government was just as capable of running the corporation as a foreign investor.¹⁹⁸ These sentiments registered a negative reaction among many international donors and businessmen who felt that privatization would be, “the best signal the government could send about making the private sector the engine of growth ... (and) more investors would come if the government would only get its priorities straight.”¹⁹⁹ Fearing an international backlash to the sentiments expressed in the Wall Street Journal article, Guyana’s Ambassador to the United States, Mr. Odeen Ishmael, quickly fired off a letter to the Journal reaffirming Guyana’s commitment to privatizing its electrical company and moving expeditiously to privatize state owned enterprises.²⁰⁰ Despite this compassionate reassurance by an official of the Jagan administration, the Guyana Electricity Corporation remains under the ownership of the government as late as 2000.

By 1996, the government’s privatization momentum had come to a halt. The vacillating privatization policy of government, along with President Jagan’s death in 1997 and the nomination of his American born Jewish widow Janet Jagan, by the PPP party, to succeed him in the December 15 1997 elections combined to discourage foreign investors from investing in Guyana. Janet Jagan’s Presidential nomination incited mass demonstrations by the People’s National Congress (PNC), now in opposition, promising mass riots should Janet Jagan be elected to office. As such, many in the international

¹⁹⁷See Wall Street Journal September 25 1996 pp A16

¹⁹⁸Ibid

¹⁹⁹Ibid

²⁰⁰See Wall Street Journal October 31 1996 A23

community interpreted the political situation in Guyana as unstable and hence unsafe to invest.

Conclusion

While we see the Economic Recovery Program (ERP) implemented by the PNC government in 1988 promoted a change in Guyana's economic policy, we also notice a transformation in the political arena. As economic liberalization took hold in Guyana, there were calls for political liberalization by both domestic and international forces. This culminated with the rise to power of a Marxist-Leninist party the PPP in the context of an increasingly free market democratized global political economy.

As demonstrated above, the economic crisis engulfing Guyana by 1988 had severely crippled economic growth and development this was further complicated by mass discontentment with a fraudulent elections system. Nonetheless, President Desmond Hoyte forged ahead with economic and political reform, which threatened to marginalize his party's key constituency economically, and simultaneously threatened, and eventually led to, the party's removal from power. On the other hand, Jagan's rise to power, whilst inevitable once free and fair elections were held and Guyanese voted strictly along racial lines, proved to be a continuation of policies initiated by the PNC which it had consistently smeared during its time in opposition.

However, while, this chapter provides a context for understanding how the Guyanese economy, and in turn the political arena, were transformed with the introduction of Guyana's structural adjustment program further explanation is needed to understand why the Guyanese decision-makers choose to embrace the Economic Recovery Program (ERP). Primarily what is needed is an explanation of why the Hoyte administration chose to adopt a strategy that promised an economic resurrection of the

country but simultaneously promoted political suicide? Secondly, why did the Jagan administration apparently renounce its Marxist-Leninist ideals in favor of free-market capitalist practices?

In other words, as chapter 3 illustrates, we need to explore the relationship between the Guyanese decision-makers' perceptions of their national objectives (National Interest) and adjustment policy outcomes (actual policy). As stated in chapter 1 the central argument of this research is that actual policy choices of the two administrations were based on their perceptions of Guyana's National Interest, which were in turn determined by the decision-makers' understanding of the objectives they were attempting to accomplish.

Chapter III: Structural Adjustment Decision-Making in Guyana (1988-'97)

Introduction

As described in chapter 2 the introduction of the Economic Recovery program (ERP), Guyana's version of a Structural Adjustment Program (SAP's), transformed the political economy of Guyana by 1988. The Guyanese economy shifted from a state-led development model to a market oriented economy. The state began relinquishing control of the economy to the dictates of market forces. No longer, would the state determine the exchange rates, domestic pricing, and monetary and fiscal policy but instead leave it up to the market forces of privatization, competition and efficiency. Essentially, the balance of power, in terms of which entity would be responsible for economic development shifted from the hands of the state into the domain of the private sector.

The purpose of chapter 3 is to provide an in depth analysis of why Guyana's economic orientation from state-led development to free market practices ensued. Specifically, chapter 3 concentrates on the Guyanese decision-making system where policy formulation and implementation occurs. The role played by Guyanese decision-makers in charting and maintaining this new course is instrumental in explaining Guyana's adoption of a structural adjustment program sponsored by International Financial Institutions (IFI's). As mentioned in chapter 1 actual policy outcomes, like Guyana's ERP, are based on decision-makers' perception of the national interest which in turn depended on the state's national objectives. Therefore, the key to explaining Guyana's economic transition beginning in 1988 are to investigate -: the nature of the decision-making process in terms of identifying those responsible for initiating and

maintaining Guyana's transition; What were the decision-makers' perception of Guyana's national objectives (needs) of both the Hoyte and Jagan administrations - with more emphasis placed on the Hoyte administration? What were the material and ideological sources of those needs? What were their perceptions of their capabilities and constraints in terms of achieving Guyana's national objectives? How did decision-makers fashion their responses to the strategic questions?

National Interest and the Question of Legitimacy- the Hoyte Years

In an increasingly interdependent and globalized world, the economic reality confronting many developing countries is one of escalating poverty tied to declining standard of living indices. Governments in the developing world remain cognizant that their political survival is intricately tied to reversing and stemming declining poverty rates. Challenges to the government's legitimacy emerge when it fails to resolve social and economic concerns of its citizens.

Desmond Hoyte's assumption of the Guyanese presidency in 1985 is a classic example of this phenomenon. When Hoyte took over the presidency in 1985 from the deceased President of Guyana and leader of the PNC, Linden Forbes Burnham, both Hoyte and the PNC faced a serious legitimacy crisis. The PNC was perceived as an illegitimate government with very little approved popular support.²⁰¹ This crisis was

²⁰¹Many political observers contend that during the reign of the PNC, with the exception of 1992, the PNC regime has gone through the "motion of legitimacy without any real correlation between popular choice and political empowerment(Griffith, 1997, pp 269)," Furthermore as Perry Mars asserts elections Guyana during this period became a sort of national drama where all contending parties preformed their roles exceptionally and in the end "the elections (were) a predictable anti-climax (Mars, 1987, "The 1985 Guyana elections in retrospect.")"

concentrated on two fronts, economic and political. As mentioned previously, the economic crisis engulfing the Guyanese economy by 1985 emerged, in part, due to the failure of the government's socialist policies. Many Guyanese blamed the PNC as a whole and Desmond Hoyte in particular for introducing these ineffective policies. Hoyte was singled out for his first hand knowledge of the formulation and implementation of Guyana's socialist policies during the Burnham regime.²⁰² This was because he was considered the chief architect of these policies given that he had held the two critically important cabinet portfolios of Minister of Finance and of Economic Development. Hence both Hoyte's and the PNC's credibility were being dissected and debated in reference to whether they possessed the ability to stem the economic crisis confronting Guyana during this period.

Additionally, not only was the PNC's credibility regarding its mishandling of the economy at issue but also its dismal record concerning political participation. The disenfranchisement of the Guyanese population due to continuous fraudulent electoral practices by the PNC continued to plague the government's ability to garner popular support for the regime.²⁰³ Basically, by the time the leadership of the PNC changed hands with the assumption of the presidency by Hoyte the PNC government was holding on to power not because of the will of the people but due to the fact that they employed the security apparatus of the state to silence any opposition. Assessing how security forces were utilized in Guyana, during the Burnham regime, as an instrument of political rule,

²⁰²Ferguson, 1995, Structural Adjustment and Good Governance: The Case of Guyana, pp 56, and Jeffery and Baber, 1986, Guyana, Politics, Economics, and Society: Beyond the Burnham Years, pp 182-183.

²⁰³British Parliamentary Human Rights Group and Americas Watch, 1995, Political Freedom in Guyana.

one Guyanese political commentator notes that the PNC, “used the military to help subvert elections, harass critics, and often as scab labor when there were politically-motivated industrial disputes.... there was little distinction if any between the security of the state and the security of the regime.”²⁰⁴ In other words the PNC, particularly during the reign of Burnham, maintained its power, despite economic stagnation and declining standard of living rates, through tactics of intimidation and coercion.

Therefore, as President Hoyte took office it was quite evident that the legitimacy of the government and its ability to survive rested primarily on resuscitating the economy. While Hoyte may have chosen to continue his predecessors strategies of intimidation and coercion to maintain the survival of the regime, despite the dismal economic climate, evidence from Hoyte’s past are good indicators suggesting that he was not as ideological married to Burnham’s socialist policies as was earlier believed. During the last phase of Burnham’s rule Hoyte was privately critical of the government’s approach to dealing with Guyana’s economic crisis, “this was not a publicly expressed view, but it was evident to some of his Cabinet colleagues.”²⁰⁵

It can be assumed that part of Hoyte’s disenchantment during the latter part of the Burnham regime stems from the regimes political posturing with regards to Guyana /IFI relations beginning in 1979 and ending in 1985. Initially, the government agreed to moderately liberalize its economy in order to address the economic crisis and in return to have the ability to gain access to financial resources from the international community. By August of 1982, citing the lack of political will on part of the government due to the

²⁰⁴Griffith, 1997, “Political Change, democracy, and human rights in Guyana,” pp 275

²⁰⁵Ferguson, 1995, pp 57. Ferguson garnered this information from interviews conducted with Cabinet

highly charged political environment, the IMF followed by the Bank in 1985 declared

Guyana ineligible to draw from its resources. IMF officials charged that:

There has apparently emerged a serious rift in the ruling party on the issue of greater 'privatization' of the economy and particularly on the question of the participation of foreign companies in the ownership and management of the bauxite sector. The Prime Minister, Mr. Ptolemy Reid, who is well respected in party circles, has reportedly aligned himself with the group that opposes the 'recolonization' of the economy. Mr. Burnham, who in earlier discussions with the Bank had endorsed the idea of foreign participation, now seems somewhat ambiguous on the issue. In recent speeches he has repeated the theme that his government will not 'surrender' the economy to multinationals and has even chided public officials for suggesting a return to the former dependence on the foreign multinationals (cited in Jane Harrigan 1991:385 from IMF Office Memorandum, August 1982).

As Jane Harrigan goes on to explain:

such resistance was not only due to a bitter colonial experience, but also to the racial cleavages, which pervaded the structure of Guyanese politics and economic activity. Whilst the PNC was essentially an Afro-Guyanese party, it was the Indo-Guyanese supporters of the opposition PPP who stood to gain most from freeing-up of the economy since most private small-scale rice farming, commercial and trading activities were conducted by the Asian community (1991:385).

Essentially, the Fund and the Bank encouraged the government to direct more attention to private investment, production and export growth in order to reverse Guyana's downward economic trend. Hoyte, "not known for a strong commitment to socialism,"²⁰⁶ stated after assuming the presidency in 1985, "I am a socialist, but I hope that I am not an airy-fairy socialist, that I am bound by the dead hand of the past."²⁰⁷ In actuality he was viewed by many as "a technically-oriented person,"²⁰⁸ he would have

Ministers during this period.

²⁰⁶ Jeffery and Barber, 1985, pp 183.

²⁰⁷ Time, 1985, "No 'airy-fairy' socialist," December 23, pp 41

²⁰⁸ Ferguson, 1995, pp 58

been one of those public officials and part of the dissenting fractions in the ruling party during the last phase of the Burnham to voice his disagreement with the alternative path to Fund and Bank initiatives the government chose to pursue.

Nature of Decision-Making Structure

As President Hoyte took office in 1985, he immediately set about the task of surrounding himself with a core group of men. These individuals were charged with the responsibility of developing, formulating and articulating the economic objectives of the government. This group became known as the 'Economic Monitoring Committee.' It was chaired by the President and consisted of the Minister's of Finance, the Deputy Prime Minister of State Planning, the Governor of the Central Bank and his Deputy, Chairman of the Guyana Natural Resource Agency, Secretary of the Treasury and the Director of Economic Cooperation. All of these members were considered part of the permanent decision making body on structural adjustment policy.

This narrowly focused compilation of individuals signified the reorientation of Guyana's economic policy from state led development towards a market-oriented path governed by international market dictates of an open economy. In order to make this transition successful President Hoyte needed to surround himself with a small cadre of individuals, who to some extent shared a similar social outlook. In other words, individuals who understood that, one, the government's political future rested on solving the economic crisis confronting the country and two, the strategy for achieving this objective was anchored in the idea of promoting and sustaining a liberalized political

economy. There are various traits that this group of individuals shared in common that in essence reinforced a general commitment on their parts to pursuing market reforms.

On one level, these individuals were well plugged into international networks or what some have called “Transnational financial networks”²⁰⁹ which generate international patterns of elite interaction that aid in reinforcing and transmitting normative neo-liberal ideas of open markets. For example, Carl Greenidge before taking up the post of finance minister was a familiar face within international financial circles due to the position that he held as an economist for the British Charities Commission.²¹⁰ Similarly, Winston King, before being approach by his personal friend Desmond Hoyte, worked for the World Bank before returning to Guyana to take up the position of head of the Guyana Natural Resource Agency.

Secondly, many individuals of the “Economic Monitoring Committee” were required to work closely with Fund and Bank officials which required at some level a sharing of common criteria for interpreting economic events and data. Guyana’s chief negotiator, the minister of finance Carl Greenidge often traveled to Washington and to other foreign capitals holding several meeting with key official attempting to seek financial support for Guyana’s structural adjustment program. The Deputy Prime Minister of State Planning often met on regular basis with Fund and Bank officials visiting Guyana to discuss the nature of the structural adjustment program.²¹¹ Likewise,

²⁰⁹Stephen Gill and David Law, 1988. The Global Political Economy, pp 90-91.

²¹⁰This information was conveyed during an interview held with Mr Greenidge in October of 1997. Additionally Mr Greenidge after leaving the government in 1992 was immediately able to gain employment as an economist with the United Nations in Geneva.

²¹¹In the case of the deputy prime minister Haslyn Parris after several interactions with Fund and Bank officials he was perceived by IFI officials to be uncooperative and not accepting fully of Fund and Bank ideas. In the final analysis Parris resigned citing unreconcilable difference with the Hoyte administration.

the Governor of the Central Bank of Guyana was accountable for coordinating exchange and interests rates with members of the Fund and Bank. Therefore, as these Guyanese officials worked closely with Fund and Bank officials they had to be able to speak the same “language”, in terms of being able to share a common interpretation schema - a process that Robert Cox refers to, “as the ideological osmosis, internalized in the thinking of participants,” as they interact through international patterns of elite interaction.²¹²

Thirdly, all of the agencies represented by the core group of decision-makers ranging from the ministry of finance to the central bank, with the exception of the ministry of state planning, which represented ties to a state-led development model, were all government agencies at the forefront of the economic restructuring process. As Leo Panitch describes, this usually takes place during a period of the internationalization of state. The state no longer seeks to control capital through regulation, but instead facilitates the mobility of capital internationally. Essentially, by doing so the state legitimizes the liberalization of markets and state agencies such as, “the prime ministerial and presidential offices, foreign offices, treasuries, central banks,”²¹³ become preeminent and privileged. This is because they become instruments for policy transmission and are “most involved with the international caretakers of the global economy.”²¹⁴ In the Guyanese case one observer of the government’s environmental policies noted that the Guyana Natural Resource Agency established in 1986 was created on the basis of promoting investment in natural resource based industries, due to Fund and Bank insistence, “that Guyana’s future economic expansion depended on increasing natural

²¹²Robert Cox, 1987, **Production, Power, and World Order**, pp 256-259.

²¹³Leo Panitch, 1994, “**Globalisation and the State**,” pp 70.

resource exports.”²¹⁵ Hence, it is indeed not surprising that Winston King the head of this agency was intimately involved in developing, formulating and articulating Guyana’s economic policy during this period. Essentially, these agencies become important during Guyana’s structural adjustment period because of their direct linkage of facilitating the openness of the world economy.

Fourthly, members of Hoyte’s ‘Economic Monitoring Committee’ were selected for their technical skills. For example, the deputy prime minister of state planning, the minister of finance and the governor of the bank of Guyana were all traditionally trained economist. The deputy minister earlier in his career was a chief economist at the central bank of Guyana and the minister of finance has even held a teaching position as the University of Guyana as a professor of economics. In actuality, all of these key individuals came to represent what is now referred to in the neo-liberal politics of adjustment literature as Guyana’s extremely thin technocratic base.²¹⁶ “Technocrats” or “Technopols” are often referred to in the literature as individuals “who share common language and values... are less interested in national sovereignty than in sound economic policy, the technopols favor free trade areas as a way of locking in their rationalist policies.”²¹⁷

Essentially the Guyanese ‘technocrats’ came to symbolize a break with socialist economic policies and an embracing of western ideas of economic development. These

²¹⁴Ibid pp 72

²¹⁵Marcus Colchester, 1997, Guyana Fragile Frontier, pp 39

²¹⁶Ferguson, 1995 pp 59

²¹⁷Richard E. Feinburg, 1995, “Sustaining and Consolidating Latin America’s Recovery,” in Lawton, Privatization Amidst Poverty, pp 4.

'technocrats' were not necessarily perceived as being politicians supporting the PNC party's ideology, but as individuals above party politics interested in getting results.²¹⁸

This approach to the selection process by Hoyte of choosing technically oriented individuals versus party loyalist acted as an additional means of the government seeking to endear itself to the Fund and Bank. Fund and Bank officials welcomed the credentials of the key decision-makers. This sentiment was strengthened by the Economist, a major organ of the neo-liberal consensus, as it referred to Guyana's prospects for meeting its obligations to the IFI's by declaring, "it (Guyana) has the advantage of a competent finance minister, Mr. Carl Greenidge, once an economist with the British Charities Commission."²¹⁹

Early in Hoyte's administration, he moved to eliminate any possibility of an internal party coup to wrestle the economic recovery decision-making from the small group of individuals he has chosen. Hoyte systematically set about reshuffling and reducing cabinet positions of members of the PNC party he perceived to be a threat to the structural adjustment decision-making process, such as, his chief rival for leadership of the party Prime Minister Hamilton Green. Hoyte in essence ostracized the Burnhamite wing of the PNC party by clipping "the political wings of some politicians who were wedded to Burnham's agenda."²²⁰ Probably the most noticeable and blatant rejection of

²¹⁸This perception and the meaning given to the term 'technocrat,' emanates from a false dichotomy created by the neo-liberal literature on the politics of adjustment. The literature suggest that if you are committed to socialist economic policies you are a party ideologue and not rational in your thought process. On the other hand if you are a technocrat you are perceived as a rational human being with out any ideological affiliation. This dichotomy introduces the basis that the former exercises judgement based on emotion while the latter exercises judgement based on an objective and disciplined thinking process which will lead to better decision-making.

²¹⁹The Economist, 1989, "Guyana Other People's Money," July 22, pp 42

²²⁰Griffith, 1997, pp 270.

pro-Burnham politicians by Hoyte was his reduction of “the authority of prime minister Hamilton Green, assigning him specific responsibility for little more than sports.”²²¹

By locating all decision-making in the ‘Economic Monitoring Committee,’ chaired by the President and a small group of ‘technocrats’ with the exclusion of party loyalist Hoyte attempted to circumvent party faithful from hijacking the structural adjustment reform.

Perception of National Objectives

The first order of business for the Hoyte administration was to restore legitimacy for the unpopular PNC regime. This meant first seeking to combat the economic decline of the country and building popular support for the regime. President Hoyte made it quite clear from the start that the economic recovery of the country was his first priority. In an address to foreign Heads of Missions in Guyana in July of 1986 Hoyte stated, “We are now in what I call the ‘Economic Phase’ of our development and evolution as a nation - A phase in which economic consideration must be dominant.”²²² It is obvious that the Hoyte administration recognized that any hope of political survival squarely rested on the resuscitation of the economy.

As Jeffery and Baber speculated, as early as 1985, the possibility of Hoyte making economic recovery a priority for Guyana, would not only allow him “to rectify a somewhat tarnished reputation but also to provide foundation on which to build his

²²¹Ibid

²²²The Economy: The Diplomatic Effort, 1986, “Address by H.D. Hoyte at the Opening of the Heads of Mission Conference.”

popularity.”²²³ Therefore, Hoyte was in a position to disprove public sentiment that he was out rightly wedded to Burnham’s socialist policies, as once thought. Additionally, given the fact that he was not considered a charismatic leader like Burnham he could instead use “results” to boost his popularity.

From the very beginning, the Hoyte administration insisted that they were attempting to create a society in which economic growth would take place concurrently with sustainable development. It was believed that while the introduction of free-market principles, such as, privatization and competition were critical to achieving economic growth the continued support of PNC social objectives, such as, free housing and free education were equally as important. As the then Deputy Prime Minister of Planning Haslyn Parris reiterated:

the objectives did not change...all social objectives of housing etc. were part of the 1985 Budget. But what happened is not having funds to sustain infrastructure for example free education (Parris: interview 1998).

In other words, while the regime was about to embrace free-market principles it remained committed to protecting certain core PNC ideas. Ensuring that social issues were addressed remained important to the PNC regime given its 1974 declaration of the state being primarily responsible for feeding, clothing, housing and later on educating the nation.²²⁴

However, while seeking to address the social components of their economic objectives the regime also recognized the growing need to confront their inability to

²²³ Jeffery and Baber, 1985 pp 183

²²⁴ Also referred to as the 1974 Declaration of Sophia was a speech made by Prime Minister Forbes Burnham - before he became President- at a PNC special congress in December of that year.

sustain economic growth. Reflecting on the economy's disastrous performance former

President Hoyte states:

in 1985, the economy was bad certain things had to be done IMF or no IMF. You had to reduce the fiscal deficit because clearly what you were doing was financing operations by printing money. This was distorting the whole economic situation. This could not continue to support balance of payments (Hoyte: interview 1998).

Expanding further on this notion of why economic reform was necessary, the

Former Minister of Finance expounds:

the biggest problem you were encountering was low capacity of utilization in industry. Therefore their inability to export and consequently our inability to buy the things we needed to keep them going. So, we got into a spiral that was quite dramatic. You would get an import here then weather problems here, or some supply shortfall here and everything would go array (Greenidge: interview 1997).

In essence, the government recognized that most of its industrial base on which it depended on to finance its social spending was in trouble. The government was spending more than it was earning in revenue and this did not bode well for the long-term survival of the country. Hence, the stabilization of the economy took precedence. However, the state's limited resources to achieve stabilization were an issue of concern given Guyana's past relations with IFI's. Therefore, decision-makers understood quite clearly that in order to achieve economic growth they would have to implement market oriented corrective measure which were predicated on the rationale that through this approach Guyana could be able to met its obligation of paying off arrears to the IFI's and ultimately regain credibility among international donors.

Referring to the issue of achieving stabilization Former President Hoyte raised the question of:

how did we do that in a situation where foreign exchange earnings were low? We had foreign resources cut off. The point was met where we could not get resources from World Bank, Fund or CDB (Caribbean Development Bank) because we had an arrears of payment and under their rules once you have arrears of payment they can't give you any aid. Many suppliers would not supply goods to local business people because again the local business people could not give any indication of when they could pay or how (Hoyte: interview 1998).

Unless the regime could attract massive inflows of financial resources, garner support at the national level of their Afro-Guyanese constituency, primarily located in the civil service sector, and eliminate factionalism among PNC cohorts, their attempts at promoting and sustaining growth and development would be in vain. In other words as Percy Hintzen points out the regimes "political survival, already tenuous, had become inextricably tied to its success in moving the country out from a decade-long economic abyss."²²⁵

Material and Ideological Sources of Guyana's National Objectives

Several factors reinforced the administration's recognition that restoring the buoyancy of the economy was its number one priority. At the idiosyncratic level Hoyte recognized many of the policies he was responsible for formulating and implementing from 1970 to 1985, such as, the nationalization and centralization of the economy had brought the country's economic base to a grinding halt. Secondly, at the communal level, the regime's core Afro-Guyanese constituency was disproportionately affected by poor

production and growth rates of the country's key industries. Because the large state bureaucracy in which Afro-Guyanese were generally employed, depended greatly on the productivity of the key industrial sectors for economic survival, the economic stagnation of these industries spelt hardship for the regimes major supporters. Essentially, living standards of workers, majority of whom were Afro-Guyanese and supporters of the PNC, declined throwing many of them into dire poverty. As a result, the regime's support base became increasingly dissatisfied and disenchanted. As a seasoned Guyanese political observer points out there was a general perception among Afro-Guyanese supporters of the regime, 'that the non-state sector, meaning East-Indians, were still doing well. It seemed as though people were being punished for being African or being in the government.'²²⁶

Nationally, the Hoyte regime encountered widening patterns of resistance to the PNC's socialist orientation. There was a growing recognition among the general Guyanese population that socialism was no longer a viable option not just based on the personal hardships that they were experiencing due to the socialist policies but also given that internationally socialism was being abandoned. David Granger notes, "people (Guyanese) felt socialism could not work anymore, and things got worse after the collapse of the Soviet Union - there was no ideological standard bearer for those who called themselves socialist."²²⁷ Hence not only were Guyanese coming to the realization that the economic and social benefits of socialism had not borne the fruits they expected

²²⁵See Hintzen LACCR Vol 9 1989-90 pp

²²⁶Interview conducted with David Granger the Chief Editor of the Guyana Review Guyana's most prominent monthly independently owned magazine 1997.

²²⁷Ibid

but equally as important the abandonment of socialism by Guyana's key international socialist trading partners, the Soviet Union and Eastern Europe, meant that Guyana could no longer depend on economic support from this group.

As the Hoyte administration accessed the international environment, it was clear that Guyana, like many socialist third world states, would have to adjust to the new political and economic global realities. Guyana's former Minister of Foreign Affairs Rashleigh Jackson notes that there was recognition on the part of the Hoyte administration that the United States now dominated the new global political structure. The U.S. was viewed as the "uncontested political hegemony, where their ideas permeated all other structures."²²⁸ Therefore, for countries like Guyana where state-led development policies were dominant and their success depended on the continuation of socialist/communist states the emergence of the U.S. as a global political capitalist powerhouse required a new economic orientation. Jackson concedes that for Guyana

the question of a socialist/communist organization of society no longer was an option ... you had to structurally adjust to that situation. In addition, in that context if you needed external help with adjusting the only way to turn was to the Fund and World Bank and Western donors, because the Eastern donors could not help you. The Eastern bloc were no longer donors they were takers (Jackson: interview 1997)

These new global and domestic realities facing Guyana now were instrumental in shaping the Government's decision concerning its objectives.

Material Sources

²²⁸Interview with Former Minister of Foreign Affairs Rashleigh Jackson 1997.

Given the interwoven nature of race and politics in Guyana, in which the two are intricately linked, it is not surprising that the Hoyte administrations decision to adopt market oriented policies generated heated opposition from his own party. As was discussed earlier, Hoyte's predecessor Burnham had earlier distance himself and ultimately rejected IFI structural adjustment programs that promoted free market policies because of the political implications for continued PNC rule. Burnham, and those PNC party members strongly aligned with him understood that market oriented policies if implemented favored "Indo-Guyanese supporters of the opposition PPP who stood to gain most from freeing-up of the economy since most private small-scale rice farming, commercial and trading activities were conducted by the Asian community."²²⁹ Therefore, for those Burnhamites within the PNC party, Hoyte's decision to proceed with free market policies automatically threatened the interests of the party's key constituents, Afro-Guyanese due to the fact that economically the least benefits would accrue to them during a period of structural adjustment. Because as Percy Hintzen notes every development or reform program along with the economic conditions they promote "have implications for the mobility opportunities of each of the classes and the ethnic groups within a country."²³⁰ In Guyana's case, Afro-Guyanese would have less mobility for opportunity compared to Indo-Guyanese.

Firstly, Hoyte understood clearly that the PNC Afro-Guyanese constituency, a constituency that remained relevant to him staying in office, stood to be economic losers in the restructuring of the economy. It was evident that SAP's would work to the socio-

²²⁹Quoted from Jane Harrigan's work on Guyana's past structural adjustment attempts 1991 pp 385.

²³⁰See Percy Hintzen, "Ethnicity, Class and International Capitalist Penetration in Guyana and Trinidad,"

economic advantage of Indo-Guyanese while disadvantaging Afro-Guyanese. Unlike the pro-Burnham faction in the PNC party that sought to slow down SAP based on the fear that it disadvantaged its key constituents, Hoyte nonetheless forged ahead to trying to convince Afro-Guyanese that this was indeed the right path. Hoyte admitted that this was indeed a hard sell to the Afro-Guyanese constituency of his party. Repeatedly people asked him “how do you know that it’s going to work? After all Mr. Burnham told us this” (Hoyte: Interview 1998).

As a result, Hoyte pointed out:

we had to go from community to community, house to house trying to explain to people why changes were necessary. We explained that they could not get a lot of basic things with out changes-Flour etc. They had to pay black-market prices because of failed economic policies. When the changes got going, bringing back flour into the system due to the ingenuity of small traders, many things came back and that swung the tide. People started to believe that there must be something to this (Hoyte: interview 1998).

However, while the general population witnessed a return of many consumer goods to the shelves one of the glaring absences the regime could not shy away from was that of economic gains for Afro-Guyanese. In a study conducted by Guyanese economist Clive Thomas, he found that when it came to the cutting of public sector jobs, all part of the ERP, Afro-Guyanese were negatively impacted because they made up the majority of the public sector workforce. Employing statistical analysis Thomas discovered that prior to 1992 Afro-Guyanese made up 63% of the regular salaried workforce while Indo-Guyanese made up 50%. Additionally when it came to the self-employed category Indo-Guyanese were more likely to have higher numbers 40% to Afro-Guyanese numbers of

only 31%. Placing this data within the context of the introduction of the ERP, it suggest and Thomas confirms this that, as the government was forced to downsize the government bureaucracy, "the number of salaried jobs fell mainly because of a decline by nearly 40 percent in public sector employment."²³¹ Hence Afro-Guyanese who made up the mass majority of the salaried workforce, again which was located within the public sector, became unemployed due to the fact that, "a slow growth in the private sector employment ... was clearly insufficient to compensate for this decline."²³² Secondly, when Thomas looked at the relationship between economic growth and economic gains occurring by ethnic group, he found that the growth rates in the sugar, rice, forestry, distribution and service industries, all sectors in which the Indo-Guyanese workforce was concentrated, experienced the highest growth. On the other hand, growth in government sectors was 0% and in the mining and quarrying sector contrasted with sugar and rice was marginal. These latter two sectors between 1988 and 1996 housed the majority of Afro-Guyanese workforce.²³³ In the end, Thomas's observations would tend to support the initial fears of the PNC Afro-Guyanese constituency that the liberalization of the economy by the government did indeed provide greater opportunities and gains to Indo-Guyanese.

Ideological Sources

Added to the fears of the PNC hardcore loyalist that the implementation of structural adjustment would not only disproportionately affect their constituency base was

²³¹Clive Thomas "The Situation of African-Guyanese in the Economy," 1997, pp 6.

²³²Ibid, pp 6.

the recognition that it also threatened the party's continued domination of the state apparatus and its ideological orientation. With the liberalization of the economic sphere, calls for democracy could not be far behind. To a certain extent, it could be said that the party faithful perceived Hoyte's decision to liberalize the economy as tantamount to the opening of a "hornets nest." In the event that free and fair elections followed, it was a foregone conclusion that the PNC would lose. Stringent racial voting patterns, which have historically colored Guyana's electoral process, meant that Indo-Guyanese who outnumbered Afro-Guyanese would reconfigure the power balance voting the PNC out of office. Of course, this scenario was equally depended on the PNC abstaining from the use of electoral fraud. Put together all of these factors and it become convincingly clear that Hoyt's decision to introduce free market policies agitated the PNC hardcore loyalist.

Hardcore PNC party cohorts invoking the tenets of the 1974 Declaration of Sophia, in which Guyana was declared a Cooperative Socialist Republic resisted change "many in the PNC opposed. Many of the dyed in the wool supporters shouted slogans 'you are selling out the country' (Hoyte: interview 1998)." Hard-line party supporters based their disapproval on the principles embodied in the 1974 declaration in which: a) the governments decision that the state was to have more control over the economy led to decisions to nationalize foreign companies; b) government seeking to make the "small man a real man" by promising to be responsible for "feeding, clothing and housing " and later on educating all citizens; c) establishing a national economic sector based on a tri-sectoral structure (Cooperatives, State, and Private) in which the Cooperative sector was to dominate; and d) establishing the Party paramountcy in which the PNC party was

²³³Ibid, pp 11-14.

dominant over all other parties and the State itself.²³⁴ Essentially the ERP proposed by the government was antithetical to the ideas put forth and implemented by the 1974 declaration.

Nationalization would be replaced by privatization and divestment under the ERP, while the government's commitment to socially empowering the "small man" was about to be significantly reduced due to spending cutbacks and the introduction of user fees. Furthermore, the tri-sectoral structure of Cooperative superiority would be replaced by the new "Engine of Growth", the Private Sector and Party paramountcy succeeded by a plural party system, and fraud free electoral contestation. While hardcore party supporters recognized the antithetical nature of the ERP to their party's foundation, former President Desmond Hoyte, felt that many of them were not ready to confront the reality of how the policies implemented under the party declaration were responsible for major economic distortions. For example, Hoyte reflected that many did not understand that divestment was an attempt to constrain the public service because:

as people know when government decided to nationalize in the first place these industries were suppose to generate a lot of surpluses. Instead of the surpluses going into the pockets of business people the surplus would come to the state. In addition, the state would use this to supply social services; schools, hospitals. However, that did not happen because state enterprise was a heavy drain on the economy. Many losses had to be eventually subsidized by the rest of the economy (Hoyte :Interview 1998).

²³⁴For further details see Clive Thomas, **The Poor and the Powerless**, 1988 pp 252-253, Tyrone Ferguson, **To survive Sensibly Or to Court Death**, 1999, pp 156-159, and Henry Jeffery and Colin Baber, **Guyana: Politics, Economics and Society**, 1986 pp 32-35.

Dyed in the wool party cohorts opposed the ERP because it threatened to erase the party's control over the political economic apparatus of the state and by implication the benefits derived by the ordinary people due to that association.

In addition to Hoyte's decision generating dissension among the party leadership, in terms of the economic disadvantages structural adjustment threatened to visit upon their constituency, the party leadership also questioned the ideological orientation of Hoyte and how it appeared to conflict with the party's ideological beliefs. Within the PNC, party changes in economic policy brought to the forefront challenges to the party's ideological base. In essence, an ideological confrontation with neo-liberal economic policies emerged. As the Former Minister of Foreign Affairs points out, there were factions within the party:

that wanted to bring about a kind of Gorbachevian reform, the thing of adopting programs for bringing about economic changes without an abandonment of your basic ideological pursuit (Jackson: Interview 1997).

As mentioned before, it is not that the PNC party as a whole did not recognize that there needed to be a change in Guyana's economic policy but what exactly should be the nature of the new policy direction remained a point of contention.

Essentially the ideologically diffusiveness existing between the pro-Burnham faction of the PNC and Hoyte generated an ideological confrontation with neo-liberal economic policies. In this particular instance, the state is placed in a position whereby a few members within the hierarchy of the state are convinced the path to change is through liberalization, while others within the state hierarchy acknowledge the necessity for change but are not ready to embrace liberalization due to its effects on their constituency.

As a result, a middle ground opens forcing those in control of the decision-making apparatus to find alternative ways of making adjustment palatable to supporters. Specifically to supporters who have become accustomed to the state occupying a dominant role. One way in which the state can achieve the task of making adjustment palatable, as in the case of Guyana under the leadership of President Hoyte, is to restructure the adjustment discourse.

For example, the Former Minister of Foreign Affairs disclosed that:

privatization under the PNC called for divestment. Haslyn Parris (Former Deputy Prime Minister of Planning) called it divestment, as if change of words changes the nature of the operation. As you are going through what I would call forced evaluation of your ideological position there is a strong tendency to say you have a change. And if you use privatization then you are like Margaret Thatcher, instead now divestment might be a socialist way of saying something (Jackson: interview 1997).

Capabilities and Constraints

In order for the Guyanese decision-makers to successfully achieve the national objectives of economic recovery and simultaneously maintaining control of the government they had to assess what instruments they had at their disposal. Decision-makers recognized that external funding was imperative and establishing relations with the International Monetary Fund and World Bank was instrumental. However, at the same time that entering into negotiations to access funds from the IFI's became instrumental to achieving the goal of economic development, decision-makers were cognizant of Guyana's past relation with the Fund and Bank and the eventual acrimonious breakup that resulted. Therefore, decision-makers would have to rely first on limited resources the government has at hand to engage in its own form of structural

adjustment before being able to gain access to IFI resources. The negotiations between the IFI's and Guyana ultimately faced many challenges.

Like many heavily indebted third world countries during the 1980's, Guyana faced a severe balance of payment crisis coupled with declining terms of trade and restrictions to borrowing in the international community. By 1988, Guyana's arrears to the IMF and the World Bank totaled 243.1 million US dollars, while its outstanding debts to individual lending countries were estimated at 938.2 million US dollars.²³⁵ Additionally Guyana's dependence on access to loans and credits from the former Soviet Union and the Eastern European countries began to diminish, during the 1980's, due to the economic difficulties many of these centrally planned economies were also confronting. All of these factors contributed to restrictions on access to international capital, and served to exacerbate Guyana's own domestic economic problems.

Structure of Negotiations

To regain access to loans and credit in the international community, whether from commercial banks, lending countries or International Financial Institutions, heavily indebted countries must agree to certain conditionalities. These conditionalities come in the form of policy requirements administered by the International Monetary Fund and the World Bank. Usually conditionalities take the form of policy requirements that are recommended by the IFI's if a country seeks access to its resources.²³⁶ The resources

²³⁵See IMF ESB/88/135

²³⁶Polak (1991 & 1994) offers a wide discussion on the changing nature of conditionalities during the 1980's into the 90's. It is important to note that as the third world debt crisis intensified in the mid-eighties and threatened the collapse of the international financial system the IFI's hardened their policy requirements.

offered come in various forms: Stand- by Arrangements (SBA), Extended Fund Facility (EFF), Enhanced Structural Adjustment Facility (ESAF), Structural Adjustment Facility (SAF), and the Structural Adjustment Loan (SAL).²³⁷ To qualify for access a country must prepare what is known as a Policy Framework Paper (PFP)²³⁸ which details what measures the country in question plans to implement and how they will go about achieving that goal. The PFP is intended to be revised periodically every three years.

In addition to the Policy Framework Paper (PFP) being an integral part of the negotiation process to regain access to IFI resources, it also serves as an important document for gaining external financing prior to the disbursement of IFI and donor resources for the program. Usually the external financing negotiations are primarily concerned with mobilizing financial resources to clear arrears to the IFI's and rescheduling debt payments to aid in the cushioning of economic disruptions caused by the implementation of deficit reducing measures to the economy. In Guyana's case the mobilization of external financing to repay its arrears first to the Fund and Bank was very important if they were going to be successful in carrying out substantial policy changes. Basically the Fund and Bank's decision of not allowing Guyana to draw on its resources before paying back arrears meant that Guyana, an already indebted country, would have

Additionally there was a shift in focus, particularly by the IMF from strictly stabilization policy requirements towards structural policies (see *International Monetary Fund (1995) occasional paper 128, pages 1-10 for further discussion.*

²³⁷The SBA, EFF, ESAF and the SAF are all IMF funded arrangements, whereas, the SAL is a World Bank funded arrangement. However, the ESAF and the SAL are the two credit arrangements that are most widely used by low income and highly indebted countries.

²³⁸Policy Framework Papers (PFP's) became a necessary precondition to access to the Structural Adjustment Facility (SAF) and Enhanced Structural Adjustment Facility (ESAF) by heavily indebted countries. To become eligible members must develop a three year adjustment program that then must be approved jointly by both the Fund and the Bank.

to borrow more money from bilateral donors and commercial banks. Largely Guyana's past relationship with the Fund and Bank severely shaped this decision.

Past Attempts at Structural Adjustment

After Guyana had submitted its "Letter of Intent" in 1986, to the Fund and World Bank, in an effort to demonstrate its willingness and commitment to policy reform the government attempted to implement several changes on its own. The government took into account its past record of accomplishment in which:

- 1) Guyana was ineligible to draw on the ordinary resources of three out of the four major financial institutions on which it traditionally relied - World Bank, IMF and Caribbean Development bank (CDB), which left only the Inter-American Bank (IDB). It was placed on an accrual basis by the World Bank in December 1986 and declared ineligible to draw on the IMF's ordinary resources in May 1985, after a two year accumulation of arrears;
- 2) Except for those from the EEC, Japan and a lesser extent Canada, bilateral flows had diminished to a trickle;
- 3) Guyana's debt profile (*was*) probably the worst in the world as a result of the accumulation of arrears which could not be serviced from current merchandise export earnings of which it constituted 520% in 1988;
- 4) The BOP and fiscal gaps were clearly unsustainable and necessitated relatively 'substantial' adjustment. Such adjustment could not be effected by domestic policies alone in a reasonable period and in a manner that would be socially bearable (Greenidge 1990:4).

Based on the problems that Guyana was experiencing, the international financial community was generally skeptical about Guyana's commitment and willingness to implement economic reform. Reflecting on the process Guyana's former Minister of Finance, Carl Greenidge, notes that "in light of these characteristics, a strong

commitment and a good deal of innovativeness were required to get the process on the road (1990:4)."

Capabilities

Beginning as early as 1986 the government introduced a number of corrective measures signaling a change in the states economic policy agenda. This was an attempt to reorient the economy, signaling a change in its state-led development, towards free market principles. Announcing in the 1986 budget before parliament the Minister of Finance stipulated the removal of price controls on a number of products. Deregulation of price controls hence allowed the private sector and not the state to set their own prices. By 1987, the government followed these measure with changes in fiscal policy and exchange rates. Specifically the government devalued the Guyana dollar and allowed commercial banks to engage in limited transactions of foreign currency at a market rate. In addition to these stabilization efforts, the Government attempted to arrest the declining public sector though a series of rehabilitation investment project and extended a number of investment incentives to the marginalized private sector.

Assessing the progress made by Guyana in 1987, the Executive Directors of the IMF²³⁹, "welcomed the corrective measures taken by the authorities in early 1987 in the exchange rate and fiscal areas, and supported their intention to reorient economic policy (IMF 1988: 1)." However, while the Executive Board of Directors praised Guyana's efforts at market-oriented reforms, and urged the authorities to continue along this path:

²³⁹ There are 24 Board of Executive Directors of the Fund. Of the 24 Directors there are five appointed positions - the USA, UK, Japan, Germany and France. The other nineteen positions are elected by the five

Directors viewed with concern the buildup of substantial external payments arrears to the Fund and other creditors, and they emphasized that the resumption of normal financial relations with external creditors required the adoption of a comprehensive program (IMF 1988:1-2).

It is evident that the Guyanese authorities intended to adopt a comprehensive program. This was demonstrated by the many speeches made by the President of Guyana to international business leaders, economic policy groups and in consultations with world leaders. However, while the Guyanese authorities were committed to a comprehensive program they were far more concerned about securing the appropriate funding for policy reform. In an IMF staff report submitted to the Executive Board of Directors in 1988, a Fund staff member reported that,

in their view (Guyana's) this is essential both to help ensure attainment of the program's objectives and to obtain domestic support for the program (IMF 1988:7).

Now, while the Guyanese authorities understood quite clearly that an economic reorientation was inevitable they also were making political calculations. The authorities recognized that the means to achieve the intended transformation required an appropriate level of external financing in order to assure the programs success and sustain domestic support. Hence in addition to implementing their own form of structural adjustment, decision makers concurrently recognized, from earlier on, that the financial resources at the state's disposal were limited and could not guarantee success of the program. Therefore, decision makers realized that outside funding would be required. The government hence decided that they had to turn to the IFI's. By 1986 with the 'Letter of Intent' sent by the government of Guyana to the Fund, Guyanese decision-makers were

appointed positions. The Directors are responsible for the day to day operations of the Fund.

acknowledging that they were ready to engage in economic reform but could not do so on their own.

As the government contemplated Fund and Bank assistance, they knew that Guyana would have to clear up its chronic debt arrears before any access to international financial assistance would be given. As Guyana approached the IFI's Jackson, the Former Minister of Foreign Affairs states:

there was a certain recognition that you had to get into an agreement with the donor community, but there was a feeling that we should not just take what they say and we should try to design a program for ourselves, but only doing those things that were absolutely necessary to turn around the economy, which you would do whether the IMF wanted it or not. So when we were negotiating with the IMF we were negotiating on policies that we had already put in place (Jackson: interview 1997).

Therefore the Guyana government attempted to negotiate from a position of strength. In the words of Former President Hoyte

Fund or no Fund normal economic principles called for the program Guyana put in place in 1987. When Guyana went to the Fund there was very little that they could demand of Guyana that we had not already done (Hoyte: interview 1998).

Essentially the economic reform began by the Guyanese government had a two fold objective: 1) to restore economic growth by putting in place corrective measures and 2) Getting rid of the arrears to IMF and World Bank thereby regaining credibility with the IFI's. The objectives of the IFI's were as Former Minister of Foreign Affairs puts it

The IMF was after getting back the money it was owed. The second thing was to bring about macro-economic balance in the society. Thirdly, to ensure the society is put under a basis of private ownership(Jackson : interview 1997).

Constraints

However, despite the Guyana government's efforts at unilaterally implementing many of the measures normally proposed by the IFI's, the Fund continued to beat the privatization drum recommending that the process had to proceed faster. Additionally the Fund called for the rationalization of the public sector, which required massive downsizing of public corporations.

Reflecting on the negotiation process Haslyn Parris, the then Minister of State Planning, expressed that there were conflict of interests between the Fund and Bank's approach to economic recovery and the Guyana governments approach to economic reform. As Parris remembers, "programs suggested would tend to run counter to each other" (Parris: interview 1998). In certain instances the Bank representative after hearing a proposal by the Fund representative would be reluctant to propose the idea to the Guyana government. For example, Parris describes that in one case an outlandish suggestion:

like closing down the University of Guyana for two years and then starting it up again. And that would bring everything into fiscal balance (Parris: interview 1998).

Parris would have considered such a proposal outlandish given the fact that the University of Guyana was the only such degree granting institution of higher learning in the country and closing it down for two years would have meant the postponement of qualified graduates entering the increasingly diminished skill based economy. Secondly, the continued operation of the institution was symbolic of the PNC's ideological mantra of providing free education from primary to university for all.

As Parris summarizes, the Fund was “driven by the arithmetic of fiscal balance while the Bank was driven by the arithmetic of capital projects” (interview 1998). However, as Parris cites “the issue of how to do it no one knew how. It was not possible to chop a piece off here or there (Parris: interview 1998).” In other word, Parris questioned the political and economic feasibility of initiating downsizing. As far as Parris could observe it was not clear where a massive exodus from the public sector would place those workers. The government was not sure how public employees would be absorbed because the government did not have at its disposal the resources to create alternative sources of employment.

Another point of contention between the IFI's and the Guyanese government centered around the question of easing the pain caused by structural adjustment for the most venerable in society. According to Parris, one of the Fund representatives made it clear that they were not in the business of easing pain. To which Parris responded:

I said to the Fund representatives I agree with everything concerning the arithmetic, but we have a small problem the resources are not all there and I cannot rely on you or anyone else to provide resources. So there is a gap and what are we going to do about that? How can we embark upon this program without resources (Parris: interview 1998)?

Weighing in on the disagreement over easing the pain of the poor and vulnerable the Former President indicated that he distinctly felt that one area the Fund was not willing to address was the impact policies created on poor and most venerable. The former President remembers

we pointed out to the Fund that it was all very well and good to talk about some economic stringencies etc. and all well and good to allow your currency to level off at the natural market rate and when those things are happening you can't only look at arithmetic. But you have to look at what

is happening to poor people on the ground. You have to have some cushioning for the most vulnerable section of society (Hoyte: interview 1998).

Guyana was finally able to convince the Fund of the need for a program within the structural adjustment program that addressed this question. The outgrowth of which came the Social Impact Amelioration Program (SIMAP). Foreign Minister Jackson remembers that Guyana had to argue strongly for the program. Prior to Guyana's SIMAP according to Jackson the only country that had a similar program was Bolivia. Hence, it took the international community more than a year to come up with the first disbursement of funds for SIMAP. Before this first disbursement, the Guyana government had to rely on its resources. Jackson makes the point that non-governmental organizations (N.G.O's) were very instrumental during this period of getting the IFI's to recognize Guyana's claim for such a program.

Nonetheless, the Fund continued to insist that Guyana continue with the reforms despite no clear idea of where the resources to continue the program were coming from. According to Parris, the attitude of the Fund was "right now we have done the best we can and things will open up later."²⁴⁰

Fashioning Responses to the Strategic Question

Negotiating a Deal

In order for Guyana's decision-makers to accomplish their major objective of economic recovery, the Hoyte administration embarked on a number of strategies. Internationally, the regime courted the support and financial resources of international financial institutions recognizing that Guyana's economic recovery was unlikely to be

successful without help from the international community. However, simultaneously the regime remained cognizant that it would have to 'self-start' the process by initiating its own adjustment program in order to demonstrate to the international community that it was serious and hence worthy of receiving funds. Of course, this was all taking place against the backdrop of Guyana's past relations with the IMF and World Bank. By 1988, after an absence of approximately four years, the Guyanese government under the leadership of Desmond Hoyte formally returned to the fold of International Financial Institutions (IFI's). This move was signaled by the submission of a Policy Framework Paper (PFP) to the International Monetary Fund (IMF) and the World Bank detailing Guyana's strategy for restructuring its monetary and financial regimes along with its institutions. In return, the IMF and the Bank agreed to make its resources accessible to Guyana. The agreement reached between the two IFI's and Guyana paved the way for other international actors, both lending countries and commercial banks, to resume 'normal' financial interactions with Guyana. Essentially, the IMF and World Bank's endorsement of Guyana's decision to implement market oriented reforms served as a catalyst to bring on board other members of the international financial community to co-finance and mobilize credit for the reform program²⁴¹.

Centralization of Decision-Making Apparatus

Domestically, Hoyte moved to centralize the restructuring of the economy policy making into a decision-making body of the "Economic Monitoring Committee."

²⁴⁰ Interview conducted with Haslyn Parris November 1998.

²⁴¹ Generally, IMF endorsement of country programs serve as a prerequisite for donor funding.

Essentially Hoyte circumvented traditional Cabinet economic policy making channels in an attempt to sideline hard-core Burnhamite ideologues within the PNC party who were resistant to change.

Before and after the Hoyte administration decided to enter into negotiations with the IFI's it was clear that the development of a strategy to implement the economic recovery program along with ensuring the longevity of the regime was in order. To ensure that both of these goals could be met - maintaining sole control of economic strategies and simultaneously remaining in charge of the government - Hoyte quickly moved to centralize the decision-making apparatus. By centralizing decision-making Hoyte was seeking to seize control of the government from fractions not just within his own party but also within the Guyanese society in order to maintain the capacity to keep all decision-making within a few hands. This factionalism that threatened to derail the implementation of the ERP was colored by racial and class insecurities coupled with ideological diffusiveness. By surrounding himself with technocrats, Hoyte attempted to ward off challenges from the hard core PNC faithful, who while recognizing the need for some change in order to battle the economic crisis, were more "sensitive to the potential for social upheaval and the threat to continued party dominance of the political economy that could result from the type of policies entailed in structural adjustment."²⁴²

This professed sensitivity toward the potential for social upheaval and loss of PNC party dominance due to the implementation of the ERP was exemplified by the then Prime Minister and Hoyte's chief rival for party leadership Hamilton Green. Green claimed to have the support of the poor working class Afro-Guyanese population and

represented the Burnham fraction of the PNC party. Initially he was considered to be a supporter of Hoyt's ERP. Without calling for an abandonment of the program, Green was constantly calling for more attention to be paid to the adverse repercussions structural adjustment programs visit upon the poor. In effect, Green's concerns reflected one of the central points of contention brewing among the decision-making elites.

While Hoyte and his key advisors agreed that the country was in dire straits and turning to the IFI's was necessary, the nature of the program fueled some disagreement. As Rashleigh Jackson, the former Minister of Foreign Affairs recollects, among the decision-making elites:

You had different kinds of arguments. You never had an argument that said we should not go the way of structural adjustment. So the argument would really be the nature of the program (Jackson, Interview 1997).

This was particularly evident in the case of the Deputy Prime Minister, who was also a part of Hoyte's inner circle of decision makers:

Deputy Prime Minister for Planning, Haslyn Parris, whilst he supported the program saw certain flaws which he thought could have been corrected both in terms of design of the program and nature of negotiations (Jackson, Interview 1997).

President Hoyte, while facing challenges from party faithful to retain the state-led development trajectory and by implication the ideological core of the PNC party, was forced to give some ground in 1989. At a Central Executive Council in August of 1989, the pro -Burnham faction of the party voted overwhelmingly to elect Hoyte's main revival Prime Minister Hamilton Green to the post of deputy leader of the party.

²⁴²Ferguson 1995, pp 58

Following a close second in votes was Deputy Prime Minister Viola Burnham the deceased President's wife.²⁴³ However, while party faithful through the election of Prime Minister Green sought to maintain the traditional course of the party, Hoyte had nonetheless centralized the decision-making of the ERP. In the final analysis, Hoyte circumvented party faithful attempts to hijack the reform process by taking the key decision-making out of their control and locating it within the sanctuary of a core group. Essentially, 'the narrowness of the group ultimately reduced the scope for opposition to the programmatic thrust of structural adjustment.'²⁴⁴ This suggest that the centralization of the decision making, in regards to Guyana's economic recovery, was indeed a tool designed to act as a buffer against groups attempting to derail or sabotage the process. Additionally this centralization not only allowed some measure of insulation but also provided some latitude for flexibility in decision-making.

Furthermore, Hoyte created a "Presidential Private Sector Advisory Committee (PSAC)" This was the first time in the PNC's history that formal relations between these two groups were established. Given the nature of Guyana's economic recovery program, which stressed the liberalization of the economy, this relationship between the private sector and the government appeared to be a natural and mutually beneficial alliance. The Government needed the help of the private sector, in terms of increased investments to stimulate the economy, and in turn, the private sector needed the Government to remove barriers restricting free-market competition and reduced profit margins. Unlike any other interest group in Guyanese society, key individuals from the private sector were given

²⁴³ Percy Hinzen, LACCR 1988-1989, vol 8, pp 8028

²⁴⁴ Ferguson, 1995, pp 60

inimitable access to economic recovery decision-making placing them in a very privileged position to shape the formulation and implementation of policy.

Language as Tool of Influence

Finally, in an attempt to make adjustment easily digestible to its supporters the State engaged in the re-labeling of terms that reflected the identical reality- instead of using the horrible “P”(Privatization) word divestment was substituted. As one Guyanese author points out in a satirical observation:

Like a thief in the night, resolutely but gradually, subtly, with statesmanship at its very best, divestment, not privatization, investment not exploitation, free market economy, not capitalism, the government proceeded to complete its ideological somersault. Neither Capitalism nor Socialism: words suddenly missing from the Guyanese vocabulary. A resurgence of the private sector as the real engine of growth, not the lumbering, tottering Goliath, the Public Sector, was the core of this policy.²⁴⁵

Of course “divestment” was the same as “privatization” “free market economy” the same as “capitalism” but words like “divestment” and capitalism” did not challenge the party’s ideological foundation while the “free market economy” and “capitalism conveyed a sense of betrayal.

Beyond 1992 The Jagan Years: Continuity or Change?

Nature of Decision-Making Structure

Upon taking office in 1992, like the former government, the PPP’s leader President Cheddie Jagan first began by locating all decision-making concerning the ERP within the domain of a handful of individuals. While the PNC’s decision-making process

was opened to only a few participants, the PPP's decision-making process was even further narrowed to include only the President, his American-born Jewish wife Janet Jagan (who would later on succeed him as President of Guyana upon his death in 1997), his newly appointed Minister of Finance, Asgar Ally and to a lesser extent the Governor of the Bank of Guyana. This handful of individuals was responsible for developing, formulating and articulating Economic policy. Asgar Ally reflects that the reason the decision-making structure was limited to a few individuals centered on the fact that, "few people understood the structural adjustment program and how it worked (Ally: interview 1998)."

In reality President Jagan insulated and restricted the decision-making structure to a few individuals, because many in his party remained staunch socialist who could not reconcile their Marxist beliefs with the free-market capitalist ideas embodied in the ERP. As Mr. Ally points out, "nobody in the PPP had experience in this area or even understood the nature of this area. Most of the party's professional people derived their experience from Moscow training which was in state planning (Ally: interview 1998)."²⁴⁶ At this point the President understood that in dealing with the international community, which was still unsure of the direction the new PPP government would ultimately take, he would have to demonstrate his commitment to the ERP by surrounding himself with professionals experienced in this area and also trained in western style economic doctrine. These specific professional requirements were to be found in the credentials of the Minister of Finance, Asgar Ally. Mr. Ally had previously worked closely with the

²⁴⁵Sallahuddin, 1992, pp 198.

²⁴⁶Ironically, Ally's successor as minister of finance Bharrat Jagdeo, a Moscow trained economist, later

Jamaican and Trinidadian governments on their structural adjustment programs.

Therefore, the decision-making process during the first half of the PPP's tenure was centered in the hands of four individuals. In actuality, it is suggested that the Jagan's together were responsible for making final decisions in secret.²⁴⁷ The air of secrecy that surrounded the final decision-making has been criticized and described as similar to that of the Jagan's running the government like a family, where, "sensitive political problems, like government appointments, (economic policy etc), are handled behind the scenes, like a family crisis discussed after the children have gone to bed."²⁴⁸

Perceptions of National Objectives and the Material and Ideological Sources of Perceptions

The primary objective of the PPP government upon assuming office was economic in terms of trying to reverse the declining living standards of the poor and the working class. This objective was not unlike that of the previous government, which from the inception of the ERP had questioned the Fund and Bank's focus on growth to the exclusion of social development. Thus, like the previous government the PPP's objective did not change.

However, the failure of the PNC to increase the standard of living of workers provided the foundation upon which the PPP could build its strategy for addressing inequalities within the society. From the standpoint of the PPP government, the economic strategy pursued by the previous government, while seeking to resuscitate a faltering

raised to become the President of Guyana in August of 1999.

²⁴⁷This was conveyed during my interview with Agar Ally the former minister of finance.

²⁴⁸Marina Budhos, 1998, "*Guyana: Reclamations*," pp 21

economy, did little in terms of improving the lives of the masses. These feelings were particularly made clear in the PPP's maiden budget speech, which noted,

Having destroyed the economy, the former Government began a Programme of economic reform in an attempt to correct its mistakes. The poor and under-privileged were called upon to pay the price for the PNC's mistakes. Yes, Guyana is a classic case of growth without development. The PNC put people last, ... under the PPP/Civic government, "people come first"(G.O.G. Budget 1993:3).

Further reinforcing the idea that workers were placed last in this new economic strategy introduced by the previous government, President Jagan utilized every opportunity to claim that the interest of the working class had been severely comprised by these austerity programs. In one interview the President stated, "If the working class do not dominate they will be dominated, and I am here to defend the interests of the working class."²⁴⁹ In attempting to defend the interests of the poor and the working class, President Jagan repeatedly vocalized the economic and social realities confronting this group. In a speech delivered to member states of the Organization of American States (OAS), President Jagan urged dignitaries to reexamine neo-liberal development policies advocated by the Fund and Bank, "so that we have not only economic growth but human development that meets the basic needs of our people."²⁵⁰ Pointing to the decline in the material well-being of the majority of Guyanese since the adoption of SAP's, despite the achievement of high growth rates President Jagan noted that:

the social infrastructure, including health, education and welfare provisions has been seriously undermined by the hardships resulting from structural adjustment measures and from debt servicing obligations... poorly paid health workers and educators serve to compound the over-stretched and woefully inadequate facilities in these important sectors. Hospitals are forced to function on occasions without

²⁴⁹ See Wall Street Journal, September 25, 1996, pp A 16.

²⁵⁰ Americas, 1993, "Dignitaries at headquarters," Sept-Oct, pp 54

the very minimum of supplies of equipment and drugs, and schools are equipped only with the barest necessities. As if to make matters worse, numerous individual households cannot meet the requirements for ensuring that children are sent to school and continue there. The fight for daily survival at all levels often necessitates that even the very young in many cases are forced to contribute towards the maintenance of self and family in this stark reality, family structures become tenuous at best and often succumb to severe pressures.²⁵¹

As a result, the government's ability to service the basic needs of the Guyanese "people through the provision of effective access to health coverage and education poses a difficult if not impossible challenge."²⁵²

While the stark realities of the material situation of the majority of Guyanese influenced the decision-makers' perception of what was in Guyana's national interests, based on their objectives, the administration's ideological orientation additionally served as a basis for these perceptions. Given the PPP's track record, from its inception, (discussed in chapter 2) as a Marxist-Leninist party concerned with class issues, particularly the championing of labor rights over those of capital, it is not surprising that the well-being of the poor and the working class was at the core of Guyana's national economic agenda. In terms of the administration's vision of how society ought to be structured to ensure the accomplishment of these goals, it envisioned a society in which capital and labor could co-exist without the interests of labor being sacrificed. President Jagan mentioned on several occasions that while his government was pro-capital, pro-foreign investment investors would have to respect "workers rights to have trade unions and to bargain collectively."²⁵³ Furthermore, the Guyanese workers must have the same

²⁵¹ Address by His Excellency Dr Cheddi Jagan, 1995, The World Social Summit Denmark

²⁵² Ibid

²⁵³ Quoted from Marina Budhos, 1998, "Guyana: Reclamations," pp 22.

rights as investors and that they should “be involved in decision-making and management wherever they are working...(because) workers are not only muscle power. They (also) have brains...”²⁵⁴ These statements by the President appear to reinforce the PPP’s ideological Marxist-Leninist commitment to defending and protecting the rights of the oppressed and exploited classes in society.

However, while ideological convictions such as defending the interests of the poor and the working class conditioned the Guyanese decision-makers’ perception of national objectives, the perception of being considered a government with Marxist ideals played into the administration assimilating neo-liberal concepts such as “efficient management,” lean government” and “downsizing” into its Marxist lexicon. This was all done to ease any fears those among the capital class may have had of the administration reverting to its radical days.

Negotiating with IFI’s: Capabilities and Constraints

Even before the PPP was elected to office, it often referred to the Economic Recovery Program (ERP) as the *Empty Rice Pot*. This not only signified that the program offered little in terms of assuring that the living standards of workers would be improved, but from a symbolic point of view it represented that workers could not even afford to purchase rice to feed themselves a main staple of the Guyanese population.

Essentially, in pursuing and defending the interests of the working class the PPP found it necessary to create a balance between growth and development that placed the poor and the working class at the center of economic reform. However, while the PPP

²⁵⁴Rooting for labor, 1993, “For Genuine Partnership of The Entire Guyanese Nation,” pp 8.

may have found it politically prudent to lay the blame for the lack of social development at the feet of the PNC it also recognized that the program was implemented as part of IMF and World Bank conditions for Guyana gaining access to international financial resources.

Nature of Negotiations

The PPP's decision to pursue Fund and Bank policies with slight modifications was represented in its approach to the issue of privatization. The former Minister of Finance Asgar Ally recounts that the "modification" approach was the outcome of a political struggle between the hard-core Marxist-Leninist ideologues of the PPP party and himself a believer that Guyana had no other alternative but to follow Fund and Bank prescriptions:

When I came on the scene, I was able to challenge them (party ideologues) and I told them that if they have alternatives to bring them forth so that I could deal with them as an economist. But I soon figured out that when they (PPP) came into office they really had no alternative to the ERP, and as such, the President and the party echelon went along with it. I convinced them that they had to go along with it, with a few modifications (Ally: Interview 1998).

The issue area of privatization was the most contentious between the PPP and the IFI's. While the IFI's agenda promoted rapid privatization of state run entities, the PPP wanted to proceed slowly and cautiously. In its "Privatisation Policy Framework Paper" issued in 1993, the PPP government justified its moderate position on privatization stating that:

It (PPP) intends to put a halt to the divestment of national assets at give-away prices and with rampant racketeering as practiced by the former regime ... Public opinion holds that transactions have been concluded too hastily, have failed to achieve optimal prices for state assets divested, did

not consider participation of Guyanese in the process, did not secure preservation of national assets (Government of Guyana: Privatisation Policy Framework Paper 1993: 4).

In other words, the PPP while attacking the former government's approach to privatization as corrupt was also criticizing the PNC for privileging the interests of foreign investors over the interests of the Guyanese working class. This was even more evident when it came to concrete proposals for privatizing the Guyana Electricity Corporation (GEC) and the Guyana Sugar Corporation (GUYSUCO). For example, in order for GEC to rebound from its dismal performance record in which as one banker puts it was being "held together by baling wire" the IFI's consistently demanded that "the company needs to slash staff, raise rates and come up with US\$150 million in new investment."²⁵⁵ However, Jagan repeatedly asserted that while it was imperative to revamp the electricity corporation the structure of ownership as implied by the IFI's with heavy foreign investment was unacceptable. Instead, the PPP envisioned a varying model of ownership. As referred to above the PPP feared and resented the idea of foreigners controlling key sectors of the Guyanese economy.

What is apparent by the PPP insistence that foreigners not control total ownership of the electricity corporation was the reluctance on the part of the PPP to relinquish its core Marxist-Leninist philosophy of the state being the major engine of development. As one observer noted:

While Mr. Jagan has grudgingly accepted most market reforms in order to keep aid flowing and to cut the country's \$2 billion debt, he still thinks the state should be in business. In fact, he argues the government runs the

²⁵⁵ "Guyana's Jagan Has ideals but Few Deals," Wall Street Journal September 25 1996 A16.

electric company just as well as it would be by the kind of foreign investor who would be attracted to the hemisphere's third-poorest country.²⁵⁶

Hence, while President Jagan on one hand touted his support for market reform he had a different vision of the role of private sector, both foreign and local, coupled with the role government would play in economic reform. Essentially the PPP may have renounced its Marxist -Leninist philosophy for the viewing public in words but found it difficult to do so in deed. The promotion of privatization by the IFI's basically conflicted with the PPP vision of economic development in which it saw the state as controlling the means of production in certain areas, such as sugar and electricity, in the interests of the poor and the working class. Obviously, the PPP's approach created some tension between the Guyanese government and the IFI's.

Capabilities

While the PPP's approach created tension between itself and the IFI's, it was quite clear to the PPP if it planned to access the resources of the Fund and Bank along with resources from other governments it was imperative to cooperative with the IFI's. However, the PPP's idea of cooperation consisted of constantly testing the 'waters', in terms of seeing how far they would be allowed to unilaterally determine the course of privatization in Guyana. They engaged in what can be described as the 'Art of Stalling' whereby they "would do things because they have no other choice but would delay it (Asgar Ally: Interview 1998)." This strategy consisted of the PPP government agreeing, at least on paper, to pursue vigorously certain aspects of SAP's. In reality, however, the

²⁵⁶Ibid

actual implementation would be postponed citing the need for further study and consideration. For example the former Minister of Finance recounts that, “As minister of Finance it would cause me a lot of headaches because we (PPP) would agree to the IMF document and when we (PPP) went to implement the thing I would be told that it has to go to the committees and so on” (Asgar Ally: Interview 1998).

The classic example of the “Art of Stalling” strategy employed by the PPP was evident in the issue area of privatization. After taking office in 1992, the PPP refused to move ahead with privatization of state owned entities until it worked out its position on the issue. According to former Minister of Finance Ally, this was due in part to the fact that “the PPP was very against privatization because they still believed in state control (Asgar Ally: interview 1998).” Despite the fact that the PPP government, after one year, managed to work out its position on privatization, as evidenced by the creation of the “Privatisation Policy Framework Paper” in 1993, it failed to attract the multitude of investors.

The privatization paper was eloquent in laying out the government’s position stating its commitment to abide by market forces and promote the private sector as central to development:

Our privatisation policy identifies economic areas, which could be more effectively and efficiently undertaken by entrepreneurs within the broader context of our Government’s commitment to encourage market forces and promote private enterprise to an important role of economic growth (Government of Guyana: Privatisation Policy Framework Paper 1993: 5-6).

Constraints

However, the perception that emerged among investors, both foreign and local, was one in which they felt that the government was just going along with the flow and their hearts were really not in it. In other words, the general perception was that of a government whose actions significantly deviated from its words. Foreign investors were weary of the mixed signals sent by the government in reference to privatization and investing in Guyana. The former Minister of Finance pointed out the pace of foreign investment in Guyana was significantly slowed down due to the fact that, 'the perception among investors, and quite understandable, was that the Government was not committed to the structural adjustment program, and at anytime they could reverse themselves (Asgar Ally: Interview 1998)."

The PPP's approach to Fund and Bank policies was mixed. On one hand, the government criticized Fund and Bank policies claiming they were not realistically advancing Guyana, while on the other acknowledging that the financial assistance provided by these IFI's was crucial to Guyana's development. As President Jagan noted:

We have inherited IMF and World Bank programs that were implemented by the previous government. In this regard, we are trying to move very carefully because we need balance-of payment support of \$40-45 million a year from the World Bank, IMF and the developed countries. So, we see that there are many contradictions in the austerity model advocated by the World Bank and the IMF, contradictions that do not solve our problems (NACLA Report on the Americas 1997:35).

Thus the PPP's approach to dealing with IFI policies, which it had severely criticized in the past, was to straddle the fence "between conformity and transformation." As

President Jagan went on to further note:

Absolute compliance with the IMF and World Bank will lead to the death of many countries, as we have already seen ... A lot of deals have proven

to be a failure. We are examining everything very carefully and not accepting the IMF prescriptions as the one and only model (NACLA Report on the America 1997:3).

This meant that the PPP was not or at least gave the appearance that it was not willing to adopt Fund and Bank policies in their entirety and was therefore seeking to utilize alternative models that successfully advanced the interests of the working class and simultaneously promoted growth.

Fashioning Responses to the Strategic Question

Like the previous administration, the PPP embarked upon a number of strategies in order to advance Guyana's national objectives of economic growth and increasing the standard of living for the poor and working class. Internationally the PPP, like the PNC, continued to court the financial resources of international financial institutions to ensure that Guyana's national objectives could be pursued. Although this course of action was deemed imperative to achieving its goals, the administration on several occasions engaged in behavior that was perceived as staling. Essentially this strategy was invoked as a political ploy by the administration anytime that it felt IFI demands placed the administration into an ideological confrontation with its constituency. In the final analysis, despite the strategy of delaying, the government continued the debt rescheduling process and entered in into a new three year lending facility with the Fund. In 1994, the Government began discussions with the Fund for access to a new ESAF and by 1995 was granted a new ESAF.

In 1993, the new Government succeeded in procuring enhanced concessional debt relief from the Paris Club²⁵⁷, which aided in reducing debt service obligations from 55 percent of exports of goods and services in 1991 to 39 percent in 1993 (IMF 1994). The Government under the Paris Club “Naples Terms” which allowed highly indebted low-income countries to receive a 67 percent reduction of their debt stock further pursued debt relief measures. In May of 1996, Guyana became eligible for this Paris Club arrangement.

Overall, by 1998 through its debt reduction measures and access to IFI resources Guyana was once again viewed as creditworthy by the international community. Based on its efforts at debt reduction the country managed to attain one of the major goals of the structural adjustment package, the 're-establishment of normal financial relations with external creditors'.

Centralizing the Decision-Making Apparatus

Like President Hoyte, Jagan adopted the same strategy of centralizing the decision-making apparatus with respect to Guyana's economic policy. Unlike the former administration's approach, however, of extending the decision-making process to include a small group of “technocrats” the PPP's technocratic base was slimmer. It basically included the minister of finance and the governor of the central bank, both western-trained economists. This was due in part to the fact that those within the PPP party's inner circle were reluctant to relinquish Marxist ideals promoting the centralization of the

²⁵⁷The Paris Club consist of the 29 major creditor governments, all members of the Organization for Economic Corporation and Development (OECD). They meet with government officials from the

state apparatus. Therefore, in order to secure the decision-making process from being hijacked by party loyalists committed to state-led development, the president centralized the decision-making.

Language as a Tool of Influence

Finally, the Jagan administration attempted to reconcile its Marxist-Leninist ideology with that of the neo-liberal doctrine, by remaining true to its philosophical commitment to the proletariat while employing a neo-liberal discourse which gave the appearance of the party's philosophical conversion. By employing words such as "efficient management," "accountable government" and "lean government" Jagan's speeches conveyed a sense that the PPP Government was no longer in the business of promoting state control of the economy. Essentially this balancing act by the PPP Government was an attempt to satisfy two constituencies - the international financial community and the Guyanese working class. On the one hand, the international financial community would be assured to some extent that the Government, at least symbolically, through its usage of neo-liberal rhetoric indeed intended to stay the course of market reform. The Guyanese working class, on the other hand, would be assured of the Government's commitment to placing their interests above the interest of capital.

developing debtor countries on an individual basis to negotiate debt rescheduling agreements.

Conclusions

The above discussion suggest that Guyanese decision-makers acting on behalf of the state made decisions to introduce structural adjustment, as in the case of the Hoyte administration, and continue the program, as the Jagan administration did, based on their perceptions of Guyana's national objectives. In both Hoyte and Jagan's administrations, the primary objective was the restoration of the Guyanese economy, not just in terms of promoting growth in the productive sectors but also boosting the dwindling living standards of Guyanese citizens. Equally as important to both administrations economic objective was the recognition that the survival of each regime depended on solving the economic problems. In order to achieve their objectives of economic restoration and political survival key decision-makers in both administrations were ultimately confronted with the question: "what is in our national interest?" In other words: "what actions do we have to take at both the international and domestic level in order to achieve our national objective of economic recovery?"

During the tenure of both administrations, what is apparently clear is that a large infusion of international financial capital was necessary to begin the road to economic recovery and to sustain it. Hoyte began by soliciting the cooperation and support of international financial institutions, such as the IMF and the World Bank. Given the changing balance of power within the international system, in which the Soviet Union was dissolving hence shifting control and influence in international system towards the United States and its western allies, international financial capital basically was only available from the west. As such, access to international financial capital carried with it

the price of conforming to western economic practices, such as free market policies. To this end the Hoyte administration moved swiftly, given Guyana's history with the Fund and Bank, to implement a 'homegrown' version of structural adjustment signaling its willingness and commitment to adopt an IFI negotiated structural adjustment program. Although the Guyanese Government designed a program reflecting many of the policies IFI's deemed necessary for economic recovery a contentious struggle ensued between the parties concerning the exact nature of the final adoption of a structural adjustment program. In the final analysis, the IFI's witnessed many of their recommendations incorporated into the final program, while the Hoyte administration fought for and succeeded in procuring a poverty reduction program that the Fund initially opposed.

Jagan upon assuming power toned down his anti-Fund and Bank rhetoric. It is obvious that while Jagan perceived these two institutions as the conduit for western imperialism the restructuring of the international political economy left the administration without any real alternative to pursue international funding for sustained economic recovery. As a result, Jagan engaged in what can be characterized as the "art of stalling." His administration agreed to certain program recommended by the IFI's but when the time came for their implementation the regime would cite the need for further review. Basically the IFI's responded by invoking the carrot and the stick method to deal with the recalcitrant behavior of the regime. If international financial support was to continue the Jagan administration would adhere to either the market oriented policies or they would be penalized with the threat of withdrawal of funds. In the final analysis the Jagan regime realized that its political survival, which was tied to the well being of the economy, had

no alternative to the international patronage of the west hence a modification of its behavior was in order.

As neo-liberal ideas and practices invaded the Guyanese landscape, it inevitably posed a challenge to the ideological purity of the PNC and the PPP parties. To continue their ideological commitment and appeal to their respective constituencies amidst encroaching neo-liberal ideas and practices both Hoyte and Jagan indulged in a sort of 'double talk' discourse. They continued to utilize Socialist and Marxist rhetoric in dispersed with neo-liberal meanings, such as, divestment, which means the same thing as privatization but refrained from use of the latter because it spelt political suicide. By indulging in their ideological rhetoric, which conveyed the identical neo-liberal reality, they were attempting to make the structural adjustment experience palatable. In Hoyte's case the 'double talk' discourse attempted to not only sell the ERP to an increasingly skeptical Afro-Guyanese constituency but also was used as a means to subtly appeal to racial sentiments. It was means of conveying to Afro-Guyanese that the government remains, at least in spirit, committed to maintaining the path Burnham set in place to give Afro-Guyanese economic control. Jagan on the other hand used 'double talk' as an attempt to appeal to a broad based constituency. He attempted to reach out to a class based constituency of workers in the productive sectors while implicitly appealing to Indo-Guyanese the majority of whom were located in the agricultural productive sectors.

While this chapter provided insight into the Guyanese decision-makers' perception of national interest, based on their perceptions of their national objections, the material and ideological source of those needs, along with the capabilities at their

disposal for securing Guyana national objectives, the constraints that the state faced during both periods and the strategies employed for achieving Guyana's national objectives, an explanation of the impact of broader international and domestic political economic, and cultural factors on the decision-making process also remains to be explored. In other words, the question becomes which groups in both the international and domestic environment did the Guyanese decision-makers perceive as having the ability to help them achieve the state's national objectives, and why?

Chapter IV: The Impact of the International and Domestic Political Economy on the Structural Adjustment Decision-Making in Guyana 1988-1997

Introduction

For the Guyanese decision-makers, during the Hoyte and also the Jagan administrations, to pursue a structural adjustment strategy, in order to achieve the national objectives of economic recovery and increasing the standard of living for Guyanese, they had to begin accessing the potential for sources of cooperation and challenges at both the international and domestic levels. The decision to pursue structural adjustment promised not only transformation of economic relations between the state and society, but additionally to change the Guyanese political process. State/society economic relations were severely altered as the balance of power shifted from the state to the market as the major producer of wealth. As a result, the pursuit of capitalist market reforms by Guyanese decision-makers generated intense internal opposition. Equally as significant as the economic transition occurring during this period was the political transformation that it fueled. The liberalization or the 'freeing-up' of the economy from state controls provided the catalyst for democratic challenges to the authoritarian state. Various international and domestic pressure groups pressed the question of "if the government could liberalize the economic arena why could it not 'free-up' the political space for meaningful electoral contestation?" In the final analysis not only did Guyanese witness a restructuring of the economy but a dismantling of the state's stranglehold on the electoral process. The 'freeing-up' of the electoral process paved the way for the historic transfer of power from the People's National Congress (PNC) to the People's Progressive

Party (PPP), in October of 1992, with the first free and fair election in Guyana in 28 years.

As the decision-makers, both in the Hoyte and Jagan administrations finally settled on the decision to pursue structural adjustment they were cognizant that there were particular actions they needed to engage in both externally and internally to achieve and defend Guyana's national objectives. The purpose of chapter 4 is twofold: one to examine the perceptions of Guyanese decision-makers towards which groups outside and inside of the state were in a position to assist Guyana in achieving its national objectives; and two to examine Guyanese decision-makers' perception of potential sources of opposition and challenges to pursuing Guyana's national objectives. Additionally the capabilities at the disposal of the state to induce potential sources of help and defend against sources of antagonism are examined.

Mobilization of Support: Hoyte Years

Based on the perception of the Guyanese decision-makers, that their objective of resuscitating the economy was inextricably linked to their political survival, decision-makers set out to garner both international and domestic support. Foremost in the minds of the Guyanese decision-makers was the recognition that the resuscitation of the economy would require a change in economic policies and also a fundamental reorientation of their development ideology, from a reliance on state-led development policies to one of free-market determined policies. This was essential if they expected to garner support from the international community.

External support for Guyana's economic reform was reflected in the willingness of western donors, particularly on the part of Canada, to commit financial resources to Guyana's economic reform. However, before the government gained access to these financial resources a number of obstacles were confronted.

Mobilization of External Financial Resources

In the months following the signing and submission of the PFP by Guyana to the Fund and Bank, in May 1988, a series of resource mobilization tours were undertaken. Between July and October of 1988, Guyana's Minister of Finance armed with the Policy Framework Paper and with assistance from Bank staff traveled to various donor capitals.

Recounting the experience the Minister of Finance recalled that,

the PFP outlined in general terms the nature of the economic program on the basis of which the government could seek financial assistance and other support from the international community. On that basis we (Guyana) canvassed among the International financial Community for the program (G.O.G. Budget 1989:19)

To facilitate the external financing mobilization effort the Bank formed a 'Consultative Group' (CG) under its leadership. However, from the very beginning discussions with potential donors and creditors encountered problems. Firstly, many donors were reluctant to release funds for a program that had not been formally endorsed by the Fund and Bank in the form of the PFP. Many donors awaited the 'green light' from the Fund and Bank before making any commitments. In September of 1988, approximately four months after Guyana submitted its PFP, the World Bank and IMF endorsed the program.

The second point of contention between Guyana and potential donors was the issue of 'front end' financing for the program. Many donors opposed the idea of Guyana receiving large sums of external assistance before the structural adjustment program had been put in place. Carl Greenidge, Guyana former Minister of Finance, speculates that one reason that donors may be so reluctant is the fear of the authorities not being capable of minimizing further accumulation of arrears. Hence, "it is probably believed that the resolve of the authorities will slacken if a significant quantity of assistance is made available (Greenidge 1990:9)." However, the Guyanese authorities continued to insist that appropriate levels of external financing had to be secured before it could carry out substantive policy changes. Like many heavily indebted countries, Guyana preferred to receive 'front-ending' (Monies at the beginning of a program) financing because of

- 1) the need to clear arrears with MFI's in order to accede to eligible status;
- 2) the necessity for foreign exchange with which to help defend the new and usually dramatically depreciated exchange rate following an extended period of BOP crisis (Greenidge 1990:8).

In addition to these obstacles faced by the resource mobilization group, the team encountered differing viewpoints among donors concerning how arrears to the Fund and Bank ought to be cleared. Some parties, including Guyana, favored a write-off of its arrears.

Appointment of Support Group (SG)

Facing limited success in its role as leader of the resource mobilization group the CG - the Bank led team- was abandoned and replaced by the Fund Support Group (SG) in

November of 1988. In other words the responsibility for mobilizing external financing for Guyana shifted from the Bank to the Fund. This new strategy established by the Fund is referred to as the "Intensive Collaboration Approach aimed to deal with countries that have accumulated large and protracted arrears to the multinational financial institutions (G.O.G. Budget 1990:7)." Basically the Support Group in Guyana's case was made up of influential donors; Canada, Japan, the United States of America, the United Kingdom, the Federal Republic of Germany, Venezuela, Trinidad and Tobago with France and Italy as observers. The significance of the replacement of the CG with the SG was reflected in the CG's inability to garner sufficient funds for Guyana's reform program. The primary reason attributed to the CG's failure to attract appropriate financing was due to its lack of influence in the Ministries of Finance of potential donors²⁵⁸.

In November 1988 when the SG began its operations, the first plan of action was to appoint a chair of the donor group. This position was held by the IMF Executive Director of Canada, which elevated Canada to the position of lead donor²⁵⁹. In essence, "Canada was in effect required to play the role of an 'honest broker' linking Guyana to the Group and speaking on equal terms to the members of the Group (G.O.G. Budget 1989:20)."

The next step taken by the SG was to begin the task of mobilizing resources. This process later became the basis for the negotiation of a Monitored Agreement (MA) in

²⁵⁸ The resource mobilization tours by Bank officials and Guyanese authorities between July and October 1988 were conducted in donor capitals with high ranking Ministry of Finance officials. The Bank team was lead by mid-level staff whom unlike their SG counterparts were viewed as being unable to persuade donors to release appropriate financing for Guyana's program.

²⁵⁹ The role of the lead donor is to supply the debtor country with "import support support approximately equivalent to the service payments to the IFI's that will need to be made (Faber 1990, 236)."

February 1989. The Monitored Agreement phase entails negotiations for financing support by donor governments coupled with further support coming from bridging loans provided by commercial banks. Essentially the MA was a two-prong approach to secure financing for Guyana's structural adjustment program. The approach was based on i) the clearance of arrears to the IFI's and ii) rescheduling and debt service payments to donors and creditors. It is based on the fulfillment of these two obligations that a highly indebted country will eventually acquire financial resources from both the IFI's and donors and creditors for the implementation of reforms programs. The MA is usually in place for a period of nine months and it is during this period that a country must prove that it is creditworthy. In Guyana's case, the MA was to end on December 31 1989. Canada offered finances only to cover the debt service payments to the IMF and World Bank for an interim period of nine months until IFI resources became available. Canada also arranged for the remainder of arrears to the IFI's to be paid by bridging loans accessed from the Bank for International Settlements.

In describing the Monitored Agreement phase, Guyana's former Minister of Finance during this period, suggest that this stage of negotiations did not proceed very smoothly. There were many disagreements among donors as to what was the best way to offer financial support. Guyana's former Finance Minister captures these sentiments in the following observation:

to fully appreciate the nature of the resultant dilemma it is necessary to look at the arrangements for the bridge. Initially, the SG proposed early bridging finance to clear the arrears. Guyana would then be eligible to draw on MFI resources to meet repayment of the 'bridge'. This route however, was apparently abandoned because, in the absence of experience with a recent Fund Programme with Guyana, particular weight was

assigned to the risk of non-performance (and therefore lost of donor resources to the MFIs). Also contributing to this risk was the relatively long (more than 2 months) period of repayment for part of the bridge. This span was attributable to the initial unwillingness of the Fund to consider, and some donors to entertain, disbursement of more than 200 per cent of Guyana's quota under an ESAF. The Group therefore turned to what has been termed 'bilateral pre-funding followed by a bridge and MFI retroactive reimbursements'. As a consequence, the burden of the proposed plan has been the diversion of bilateral BOP assistance to the repayment of MFI arrears in the initial period of the Programme (Greenidge 1990:10).

As part of the negotiated Monitored Agreement, which was approved by the Fund in April 1989, it was agreed that Guyana would receive 115.6 million in Special Drawing Rights (SDR's) over a three year period providing that it,

- a) cleared its arrears to the institutions - IMF, World Bank, and Caribbean Development Bank
- b) performed satisfactorily under the Programme;
- c) agreed on a specific Programme for the post-1989 period (G.O.G. Budget 1990:7).

Additionally support was pledged for Guyana's three-year program in the amounts of US\$ 65 million from the World Bank and US\$ 35 million from the CDB.

Reassessment of Monitored Agreement

By the end of 1989, although Guyana had received favorable terms on rescheduling of debt payments the Government was unable to meet its repurchasing obligation to the IFI's by the end of 1989. This ran counter to the expectations of the Monitored Agreement, which was to conclude on December 31 1989. According to the Guyanese authorities weak performance in the bauxite and sugar industries due to strikes,

a decline in sugar prices offered by EEC preferential agreement, and widespread power shortages led to additional accumulation of arrears to the IFI's.

Compounding Guyana's inability to clear its arrears to the IFI's during the period of the negotiated Monitored Agreement phase was the problem of low levels of financing secured by the SG. Guyana's former Minister of Finance in his 1990 Budget speech cited four reasons that contributed to the problem:

- 1) there remained the unresolved problem of burden sharing among donors and creditors. Whereby one group of creditors were unwilling to offer rescheduling on concessional terms as other groups of creditors;
- 2) pledged amounts of resources not distributed in timely fashion;
- 3) donors preferred to give commodity aid rather than cash;
- 4) disagreement with reference to what ought to be done with generation of counterpart funds (see G.O.G. Budget 1990).

It was then decided that in order to complete the negotiated MA additional funds were required. As it stood in between May and June of 1989 only US\$27.3 million of the US\$41.5 million of pledged funds were actually disbursed. Between September and December of 1989, the SG again pledged a further US\$65 million and IFI's along with creditors were asked to increase the amount already pledged by US\$27million. Additionally, arrangements were made to secure a bridging loan to payoff arrears to the IFI's.

Six months after the Monitored Agreements was scheduled to conclude the Government of Guyana in June of 1990 cleared its arrears to the Fund, Bank and the Caribbean Development Bank (CDB). It is at this point that the staff:

report to their respective boards that all outstanding loans have been properly serviced throughout the interim period, that the arrears have been duly paid off, and that a rigorous new program has been accepted in the

context of the new stand-by credits and structural adjustment loans that are being proposed (Faber 1990, 237).

Hence, by July 1990 Guyana received approval from the IMF Executive Board for a three-year arrangement under the Enhanced Structural Adjustment Facility (ESAF) for SDR's in the amount of 81.5 million and a twelve-month Stand-by (SBA) Arrangement for 49.5 million in SDR's. Similarly, the World Bank approved a Structural Adjustment Credit (SAC) for 59.8 million in SDR's.

The other obligation under the MA that Guyana was left to fulfill was that of debt rescheduling. During this phase, as a general rule, highly indebted countries attempt to reduce their external debt payments to manageable levels. This can be provided in the form of reduction of interest rates on part of outstanding debt, extending loan repayment dates, or in some cases, debt forgiveness. In Guyana's case its largest creditor Trinidad and Tobago in January of 1989 was the first to offer favorable debt relief terms of approximately US\$53.1 million. Trinidad's generosity was extended by the other members of the CARICOM Multilateral Clearing Facility (CMCF) who offered debt relief amounting to US\$ 7.8 million.

Debt relief was also forthcoming from the Paris Club members. On May 24, 1989, Paris Club member agreed to reschedule Guyana's debt. This was reflected by the Government of Guyana signing:

an Agreed Minute providing for debt relief to Guyana through the rescheduling and refinancing of (our) external debt arrears as at December 31, 1988 and debt service payments falling due between January 1, 1989 and February 28, 1990 (G.O.G. Budget 1990:17).

Of all the non-Paris Club members contacted in 1989, only Brazil responded and agreed to reschedule loans on concessional terms.

Although the Guyanese government had requested that the maximum terms, referred to as the Toronto Terms,²⁶⁰ be applied to its debt relief efforts, this request was denied. Despite this setback the Government of Guyana still managed to secure terms "more concessional than had been offered to any country outside of Africa's Sahel region" (G.O.G. Budget 1990:18).

The Government of Guyana by 1990 had managed to secure additional rescheduling under the Toronto terms. This enabled the Government to reduce its interest burden by almost 2%. Additionally the Government began discussions with commercial banks to reschedule its relative small debt, which resulted in one bank in October of 1990 canceling liabilities of US\$13 million.

Mobilization of Foreign Investment

The final endorsement by the Fund and Bank of Guyana's commitment to economic reform also helped to convince potential foreign investors to return to Guyana. For example, the US Overseas Private Investment Corporation OPIC support of Guyana's policies helped to encourage participation by foreign investors in Guyana's economic restructuring. As noted by the Former President:

once Guyana got policies right OPIC came back they liked the energy with the way things were going. OPIC ... sent a delegation to Guyana. The

²⁶⁰The Toronto Terms the end result of the economic summit held in 1998 in Toronto offering to reduce official debt to low-income, debt distressed countries. The terms included reduced interest, extended grace period for debt-repayment, partial write offs of debt service obligations during a consolidation period, or a combination of either of these options, taking into account the commercial rate of interest.

VICE President, Mr. Dragon, headed it. They held meetings and made it very clear they were prepared to finance American investment in Guyana and more than that to encourage American investors to come to Guyana (Hoyte: interview 1998).

Reynolds the bauxite company that had seen its operations nationalized in the 70's was the first foreign investor to return to Guyana. Interestingly the Former President opined that,

the first investor to come in ironically should have been the last to come in that was Reynolds. The young Reynolds told me they were many fights in the boardroom because many felt corporate memory is long. But Randy Reynolds, the younger group prevailed and opened Arorima (Hoyte: interview 1998).

Following closely on the heels of Reynolds other foreign investments came to Guyana, such as the Canadian firm CAMBIOR, which opened a gold mine operation - OMAI. Barama a Malaysian and South Korea forestry company followed CAMBIOR.²⁶¹ Additionally investors from through out the English-Speaking Caribbean also became major investors. The Trinidadian company Neal and Massy, which had not left Guyana during the hard times, expanded its operations and investments. The other Trinidadian company, the insurance brokerage firm, CLICO, diversified its investment opportunities by purchasing Guyana timbers Limited and investing in the logging and forestry sector.²⁶² MACAL a St. Lucian company formed the Eastern Caribbean Investment Company and established the CARICOM Rice Mills a subsidiary company. The company was composed of farmers, millers and exporters in the rice industry.

²⁶¹Interestingly, the story of BARAMA dates back to 1991 when the state-owned timber company was brought by a British businessman, who then turned around and sold it to a Dutch company for a US\$ 15.6 million profit. The Dutch company then went out of business and the Guyanese government then had to scramble for a new owner. It was eventually brought by the Malaysian and South Korean group. See The Wall Street Journal, "Guyana's Jagan Has Ideals but Few Deals," September 25, 1996.

President Hoyte felt that the reason Guyana gained the support of these foreign investors was the fact that they began to view Guyana as having real potential for growth, though as of July of 1988 the overall performance of the economy was dismal. Between 1986 and 1990, the recorded growth rate was less than 1%.²⁶³ The President also expressed that in his opinion his personal crusade to convince investors won their support. In the final analysis, Hoyte states, "I had to be the messenger." While foreign investors may have speculated about the potential for growth in Guyana it was the governments decision to put into place corrective measures, followed by the Fund and Bank finally endorsing the Policy Framework Paper in September of 1988 and investors personally hearing from the President that gave them confidence to want to invest in Guyana. As Hoyte put it, "people saw changes. The US and UK were interested they saw us pursuing a path they were comfortable with (Hoyte: interview 1998)."

Internal Support

Internally the private sector became very enthusiastic about the new possibilities and welcomed the change in direction of the government's new policies. Essentially the government had acquired a new ally by its mere decision to open up the economy. As President Hoyte noted:

At the level of business people... did not have much persuasion because they readily recognized advantages. They did not have to line up at the Central Bank for foreign exchange, or Ministry of Trade for import/ export license. Bureaucratic things were dismantled (Hoyte: Interview 1998).

²⁶²See Linden Lewis on "Restructuring and Privatization in the Caribbean," 1994.

²⁶³See the governments budget speeches 1986 through 1990 and the 1988 and 1990 Policy Framework Paper prepared by the Fund and Guyana.

This was particularly received with open arms by the private sector because the dismantling of price controls, removal of import/export licenses, and the freeing up of exchange controls all meant that days of heavy state intervention were ending. No longer would the state dominate the economy as it did prior to 1985 when as Clifford Reis, CEO of BANK DIH, notes, “until 1985 80% of the economy was under state control... the other 20% was to some extent also under state control, in the sense that they were state controlled by price controls.” In reality state-led development, in which the state was the chief economic agent, denied unfettered access by the private sector to determine the behavior of their own companies, Basically the private sector saw an opportunity to gain a larger stake in the control of the economy and regain economic control of the economy.

In actuality, the private sector was given the opportunity by the Hoyte administration to influence the economic direction of the country. This opportunity was made possible by establishment of the Presidential Private Sector Advisory Commission (PSAC). The PSAC was composed of key business figures in the private sector community. The purpose of the commission was two fold:

- a) to indicate to the private sector government is supportive of the private sector and not hostile;
- b) allow private sector opportunity to approach me (President Hoyte) on a periodic basis and to present problems not as individual problems but as collective (Hoyte: Interview 1998).

The PSAC was chaired by the President and Ministers of Planning, Finance, Trade and subsequently the Minister of Agriculture. The commission met once a month with the President, his Ministers, and technicians of the EMC.

On the part of the private sector individuals involved in the process, most members viewed it as an opportunity to become advisors to the government. Specifically they viewed themselves as advisors to the President providing opinions on matters regarding the present and future development trajectory of the country. In a sense, this group of individuals²⁶⁴ perceived themselves as being provided the unique and significant opportunity to influence the direction of Guyana's economic renewal. As far as they were concerned their roles as 'advisors' should be taken seriously. They were unwilling to be part of a body that merely agreed blindly with all government positions without challenging the merit of various policies. In describing the first two meeting of the PSAC meeting one very influential businessman expressed annoyance with the attitude of the Ministers present. Mr. Clifford Reis²⁶⁵ felt the Ministers did not perceive the private sector as equals. Reis reflects:

some Ministers were still talking to us as though we did not understand anything ... At one meeting I had to talk up and say sir (to the President) I'm here to advise you. I'm not here to speak to the Minister. I'm here in an advisory capacity and I'm not being paid ... I will say what I want to say if you want to accept it accept it ... But what ever its worth it's not an argument between the Minister and myself. I am here to influence you (Reis: interview 1998).

As a result of the particular exchange Reis felt, "that the door for us (the private sector) to have real dialogue on where the matter of the country was going opened (Reis:

²⁶⁴This group of individuals who made up the PSAC were generally the CEO's of Guyana's key industries such as the Rice, Sugar and Rum producing sectors. Interestingly, and which will be discussed in further dept in chapter 4 is the fact that while these individuals were members of traditional private sector agencies- such as the Georgetown Chamber of Commerce and Industry and the Guyana Manufacture's Association- they were chosen independent of their association with the agencies. Moreover, the traditional private sector agencies were never officially represented on the President's Private Sector Advisory Commission.

²⁶⁵Clifford Reis is the CEO and Managing Director of BANKS DIH, Guyana's largest beer, rum and soft drinks manufacture.

interview 1998)." Essentially Reis' comments reveal the new attitude emerging among members of the private sector in Guyana that it meant business and if the government was not serious about involving them in the development process then their time was not to be wasted.

Many within the private sector were also praising the courageousness and visionary leadership of the PNC regime when in addition to the economic reforms it implemented in 1987 it also agreed by 1991 to engage in free and fair election. Alluding to Hoyte's visionary and courageous qualities Stanley Ming, CEO of Ming's Products a conglomerate specializing in construction, commented:

people will differ, but whether ... it was his vision ... people say he did not have options ... the fact that Hoyte was willing to accept quite bitter medicine just prior to elections; a major devaluation of the Guyana dollar , moving all restrictions which Burnham had introduced, import restrictions, currency exchange. Hoyte revoked all that and removed all the banned items. And basically opened up the country for trade liberalization and foreign investment. I think that had started Guyana down a good road (Ming: interview 1998).

This was a significant decision by the PNC regime because it ran the risk of not being reelected given the strong history of racial polarization in voting patterns in Guyana. The Guyanese East Indians population, outnumbered blacks therefore strong ethnic party loyalties once given the chance to operate unencumbered favored the opposition party the PPP which is perceived as representing the interests of the Indo-Guyanese population.

Neutralizing the Opposition

The majority of opposition to structural adjustment in Guyana came from groups that had traditionally benefited from state controls, labor unions and opposition parties.

PNC party cohorts opposed the economic recovery program on the basis that the government was sacrificing the party's ideological purity. Labor unions, on the other hand, while divided along partisan lines were concerned about the impending effects the ERP presented to their socio-economic welfare. These included such realities as loss of jobs due to downsizing of the public sector coupled with increases in consumer goods while wages did not remain commensurable with price increases. Essentially with the governments devaluation policies workers saw their purchasing power precipitously diminish. Later on, as opposition to the government's ERP unfolded various segments of the labor opposition represented by political opposition party groups also sought to tie issues of economic reform to those of political reform. Opposition political parties such as the PPP with the largest constituency base in Guyana along with the WPA attempted to utilize the discontent among the Guyanese working class to voice concern over the lack of inclusion and consultation in the decision-making process on the ERP. As time progressed, the parties astutely recognized that with the eyes and ears of the international community focused on Guyana the opportunity to protest the government's human rights abuses, especially in the area of fraudulent election practices was ripe.

Organized Labor

The main source of opposition to the ERP came from the labor movement and opposition parties. Traditionally trade unions in Guyana have been and continue to be heavily partisan and hence highly politicized due to their close ties with political parties. The players within the labor union movement were the **Trade Union Congress (TUC)**,

the **Guyana Agricultural and General Workers Union (GAWU)**, and the **Federation of Independent Trade Unions (FITUG)**, which were all opposed to the structural adjustment program. As they saw it, structural adjustment represented anti-working class policies and legislation. They were also in sharp contrast to the economic and social rights guaranteed to workers in Chapter 2 of the 1980 Constitution.²⁶⁶ Under the 1980 Constitution article 22, workers are guaranteed the right to work and to the “Social ownership of the means of production, distribution and exchange.” Additionally, workers, like all citizens, were guaranteed the right to medical care and adequate housing and education.²⁶⁷ Therefore with the introduction of the PNC government’s structural adjustment policies in which workers experienced sharp declines in their wages, massive job cutbacks, privatization of government owned industries and the implementation of user fees for medical care and education the 1980 economic and social Constitutional guarantees were being slowly eroded and reversed. This change in emphasis of the government’s economic and social policies opened up the Guyanese political environment to many political and economic struggles. The TUC is affiliated with the PNC party because it is an umbrella organization that represents most of the public sector labor unions in Guyana and the majority of its members are of Afro-Guyanese decent. On the other hand, the Indo-Guyanese PPP party controls GAWU and its members are primarily composed of sugar workers the majority of whom are East Indian.

²⁶⁶The 1980 Guyanese Constitution was an attempt by the Burnham government to distance itself from the pro-capitalist 1966 Westminster style Constitution adopted from the British. Essentially the 1980 Constitution was a formalization of the 1974 Declaration of Sophia in which Burnham declared the Cooperative Socialist Republic of Guyana. See Forbes Burnham “*Declaration of Sophia*,” 1974, and *Constitution of the Co-operative Republic of Guyana 1980*.

²⁶⁷See Jeffrey and Barber, *Guyana: Politics and Society*, 1986 for a detailed analysis of the 1980 Guyana Constitution, also Ivelaw Griffith, “*Political Change, democracy, human rights in Guyana*,” 1997.

While the political ties of the TUC and GAWU to the PNC and PPP, respectively, can be traced back to the latter 1950s,²⁶⁸ the emergence of the FITUG is a more recent addition to the labor union movement in Guyana. The FITUG is an umbrella organization, like the TUC, which represents a breakaway of several labor unions from the partisan TUC. They represented the sugar and bauxite workers, state and parastatals, private sector workers and University of Guyana workers; lectures and support staff.

²⁶⁸ After the British suspended the Guyanese constitution in 1953 declaring the PPP's victory under the leadership of Cheddi Jagan null and void due to a fear of communist subversion Forbes Burnham the second ranking member of the PPP spilt from the PPP forming his own political party in 1955. This party soon became known as the Peoples National Congress (PNC) in 1957. The Indo-Guyanese sugar workers remained loyal to the PPP, while the growing Afro-Guyanese civil service population represented by the TUC threw their support behind Burnham and the PNC. See Vere T. Daly, *A Short History of The Guyanese People*, 1975 and Jeffery and Baber, *Guyana: Politics, Economics and Society*, 1986.

Responses by Labor

From the inception of the PNC government's ERP in 1988 to the end of the government's reign in 1992 there were nationwide strikes protesting the draconian policy measures. A number of these strikes were employed as economic weapons by workers to air their grievances concerning anti-working class measures, and also as political weapons by opposition political parties to gain a larger stake in the political decision making process. As Selwyn Ryan notes in his observation of the strike activity patterns emerging in Guyana from the colonial to the post-colonial period, "some of these strikes are genuine industrial disputes ... others have clearly been politically motivated."²⁶⁹ As to whether these strikes were politically motivated or genuine industrial disputes depends to a certain extent on which political party is discussing the issue. For Example, Ryan points out that according to PPP representatives, striking activities increased in the 1980's due to, "Management incompetence, aggressive anti-working class policies, and legislation - not to any desire on the part of the PPP to sabotage the PNC government."²⁷⁰ On the other hand, the PNC claimed that strike activity was politically motivated by the fact that opposition political parties were seeking to "undermine, discredit, and destroy everything the government advocates... the opposition does not distinguish between opposing a government and destroying the nation."²⁷¹

²⁶⁹See Selwyn Ryan, "*Beyond Ethnic Paramouncy*," 1992, pp 57-83. Ryan builds upon Parry Mars' work "*Ethnic Conflict and Political Control: The Guyana Case*," 1990, in which Mars charts the number of strikes employed by both the PNC and the PPP to influence the outcome of which political party would control the political vacuum left by the Britain after independence.

²⁷⁰Ibid 1992, pp 61.

²⁷¹Quoted in Ryan, 1992, pp 61-62

On the eve of the impending signing of the Policy Framework paper (PFP) between Guyana and the IMF, GAWU the PPP backed labor union of sugar workers called a strike. This industrial action in the sugar industry had the effect of cutting production and incomes. According to the 1989 Budget review of the economy's performance in 1988, "sugar ... which was projected to grow by 4 percent ... fell short of...the annual production target...the sugar production target was 233,680 tonnes. Realized output for the year was 170,180 tonnes some 24 percent below the level achieved in 1987."²⁷² While GAWU managed to disrupt the economy, showcasing its discontent, it is generally felt that its actions were politically motivated by their party affiliations with the PPP. During this period, the PPP on numerous occasions threatened anti-governmental mobilization against the government's ERP if some form of consultation between the government, workers and political parties did not take place.²⁷³

GAWU's industrial actions also spelled trouble for the government among the rank and file labor organizations within the TUC. While not engaging in work stoppages like GAWU the TUC threw its support behind GAWU verbally. This action by the TUC was particularly significant given the fact that they had always been strong supporters of the PNC government and rarely, if ever, publicly disagreed with the party. This signaled to the PNC the need to bring the union back under its control.

The PNC's strategy involved a two-prong approach to the growing union disaffection. Among the set of actions taken, the PNC attempted to hijack the decision-making process within the TUC organization by using its influence on the "the 17 small

²⁷²See Government of Guyana: Budget Speech 1989 pp 25.

²⁷³See Hintzen LACCR vol. 8.

unions in the TUC, many of which were its creations and existed in name only. These unions provided party loyalist with a voting majority at the TUC conference ...They (PNC) used this majority to ensure their election to all but one of the executive positions in the congress.”²⁷⁴

This blatant attempt by the PNC to manipulate and control the actions of the TUC was part of its larger strategy to bring about successful economic reform. As it stood at that particular juncture the cooperation of the TUC membership was extremely important given the fact that impending austerity programs under the ERP in 1989 would require the government to engage in deep social cuts. In essence, the PNC could not afford to have one of its closest allies “jumping ship” before the real heart of its program was yet to be fully introduced. While the impending austerity programs threatened to severely dismantle the gains made by labor in the past, they were also viewed as unavoidable to stemming the economic decline of the country.

In addition to infiltrating the ranks of the TUC and hijacking the decision making apparatus the government used the strategy of divide and rule to silence those unions within the TUC umbrella that choose to withdraw their association. Those unions choosing to disassociate themselves with the co-opted TUC formed a breakaway umbrella group the Federation of Independent Trade Unions (FITUG). As their name suggest this group was looking to establish their autonomy in light of the PNC 's control of the TUC.

Following the 1989 government budget announcement of the formal introduction of the ERP FITUG called several general strikes to protest the decline in wage levels

²⁷⁴See Hintzen LACCR Vol 8 pp 129.

within the context of price increases.²⁷⁵ Despite the fact that the government had increased the salary of workers by 20 percent, FITUG was successful in mobilizing workers to strike. Workers complained that despite the governments 20 percent wage hike basic food items like rice, sugar and oil increased by almost 200 percent.²⁷⁶ As a result, workers “demonstrated a strong national solidarity irrespective of race, industry, occupation, class, location, age, sex and religion.”²⁷⁷ This show of solidarity among workers was political significant given the fact that workers represented by all of the major umbrella labor organizations irrespective of political affiliation were presenting a formidable opposition to the governments ERP.

The success of the government’s ERP, specifically in terms of meeting its policy goals were seriously in danger of being derailed. The six-week strike by workers in Linden, the site of the bauxite production, seriously affected GUYMINE’s operation according to officials at GUYMINE.²⁷⁸ Therefore, the governments projected target of increasing its bauxite production by 23 percent in 1989 was seriously in doubt.²⁷⁹ Similarly, the General Secretary of the TUC, Joseph Pollydore, the PNC’s closet ally warned, “ if adjustments could not be made by the government to its budget measures, then the Economic Recovery program (ERP) stands in danger of being frustrated by the

²⁷⁵ See Ian Christopher, “Guyana: the western hemisphere’s poorest country, Contemporary Review June 1992 p 303(2) and Stabroek News, “People Stunned by Devaluation Prices,” April 5, pg 1.

²⁷⁶ Stabroek News, “Anti-Budget Pressure Mounts- Strikes Spread,” April 12, 1989 p.1

²⁷⁷ Ian Christopher, “Guyana: the western hemisphere’s poorest country, Contemporary Review June 1992 p 303(2)

²⁷⁸ See Stabroek News “People Stunned by Devaluation Prices,” April 5, pg 1.

²⁷⁹ See Government of Guyana: Budget Speech 1989 pg 45.

state of malaise, indifference and other negative reactions that will engulf the entire Guyanese society.”²⁸⁰

In an attempt to frustrate the entire labor movement and halt the strong solidarity developing among workers the government quickly moved to neutralize the radical FITUG organization. As in the past, when the Burnham regime “used the military to help subvert elections, harass critics, and often as scab labor when there were politically-motivated industrial disputes,”²⁸¹ the Hoyte administration, although to a lesser extent, also employed repressive measures in order to silence the workers within the FITUG. This was evidenced by the government firing, transferring and arresting several state employees who were part of the FITUG umbrella and engaged in strike activity.²⁸²

Joining the labor unions efforts to derail the ERP were the political opposition parties. Specifically, the established PPP and WPA. While both parties questioned the impact of the ERP measures on society as a whole their motivations for doing so varied.²⁸³ In the case of the PPP, it was fundamentally opposed to the ERP from an ideological standpoint. Utilizing its party newspaper the PPP criticized the PNC for abandoning its socialist ideals and capitulating to the dictates of international capitalism as represented by the International Monetary Fund (IMF).²⁸⁴ In 1989, after the PNC government formally introduced the ERP in its Budget and implemented a devaluation of the Guyanese dollar the leader of the PPP Dr Cheddie Jagan accused the PNC regime of

²⁸⁰See *Stabroek News*, “ERP In Danger If No Adjustment - Pollydore,” June 3, 1989, pg 24.

²⁸¹See Ivelaw L. Griffith, “Political Change in Guyana,” *Third World Quarterly*, 1997 pp 275.

²⁸²See Ferguson, *Structural Adjustment and Good Governance*, 1995, pp 77, Hintzen, “Guyana,” *LACCR*, 1989 pp 131.

²⁸³See Ferguson, *Structural Adjustment and Good Governance*, 1995, pp 77. Ferguson suggest that the PPP was ideologically motivated, while the WPA was took a pragmatic approach questioning the operational aspects of the reform process.

completely surrendering to the IMF and allowing the IFI to run the country.²⁸⁵ Generally, the PPP still operating within a socialist framework was concerned that the introduction of structural adjustment measures sought to further increase Guyana's dependence within the international capitalist political economy.

On the other hand, while the PPP's opposition to the ERP was primarily ideological, the WPA's opposition was geared towards the transparency and inclusiveness of the decision-making process surrounding the ERP and the appearance this gave of a lacking democratic process within the country. Essentially the WPA questioned the validity of non-residence of the country making binding decisions for the majority of Guyanese people when citizens of Guyana were being left out of the decision-making process.²⁸⁶ Furthermore the WPA stated, "the Budget is the sole responsibility of the ruling party which rejected all offers of consultation on the economic and political crisis and took counsel only from its paid employees and private sector advisors who were beneficiaries of the regime."²⁸⁷

The WPA's concern of lack of citizen inclusion and participation in the decision-making process was further illuminated by the government's proposal of a constitutional amendment "curtailing the power of the Supreme Court to enforce the constitutional rights of trade unions, cooperatives and all "socioeconomic" organizations to be consulted in the process of state decision-making."²⁸⁸ Essentially the government was

²⁸⁴See *Mirror*, "There is no alternative to the IMF," August 4, 1989.

²⁸⁵See *Stabroek News*, "People Stunned by Devaluation Prices," April 5 1989 pp.1.

²⁸⁶See *Ibid* and *Stabroek News*, IMF should consult with Opposition: WPA," October, 29, 1988, and *Stabroek News*, April 5, 1989.

²⁸⁷See *Stabroek News*, "People Stunned by Devaluation Prices," April 5 1989 pp.1.

²⁸⁸See Hintzen, LACCR, "Guyana," 1988-89 pp 129

attempting to renege on its previous commitment to workers in its 1974 declaration of Guyana as a Socialist Cooperative Republic and the 1980 constitution which both placed workers at the forefront of state decision-making.

The Patriotic Coalition for Democracy (PCD) - the alliance of five major opposition parties seeking the removal of the PNC - in conjunction with FITUG, the Guyana Bar Association and the Guyana Human Rights Association tried unsuccessfully to bar the government's efforts.²⁸⁹

However, the government did seek to silence its detractors who voiced concern about the lack of inclusion by once again co-opting member unions of the TUC. With the TUC threatening social unrest, and actually engaging in strike action in 1989,²⁹⁰ the government invited TUC unions to voice their concerns before the Economic Monitoring Committee. The TUC was able to gain a minimal wage increase of 20 percent to cushion the effects of the devastating budget cuts and devaluation measures.²⁹¹ On the part of the government, this was done from the point of view of maintaining industrial peace.

Former Minister of Finance Carl Greenidge reflects:

you know there were times we came very close to political chaos in the streets, especially when we were not able to import petrol in a timely fashion. You had concerns over rapidly escalating parallel markets, which have happened in the so-called transitional economies generating fabulous wealth for a number of men and enormous anger amongst the people. And one had to try to deal with that anger if it was not to spin over to riots and violence. We had to try to avoid them (Unions) from coming out into the streets. With the TUC, it was a problem of trying to keep them from calling strikes and disrupting the whole process, which in fact they did in 1989 (Greenidge: interview 1997).

²⁸⁹ See Caribbean Report, 31 March 1988, pp 3.

²⁹⁰ See Christopher, *Contemporary Review*, "Guyana: The Western hemisphere poorest country," June 1992, pp 303, and *Stabroek News*, "Anti-Budget Pressure Mounts- Strikes Spread," April 12, 1989, pp 1.

²⁹¹ See Fergusson, *Structural Adjustment and Good Governance*, 1995, pp 76-77.

Once again, the government demonstrated that it was in control of the decision-making process and could effectively determine who was going to take part and under what circumstances they would take part. Secondly, with the inclusion of the TUC in the decision-making process, which privileged one segment of the working force over others, the government was in effect seeking to further weaken the growing solidarity among workers in opposition to the ERP.

Overall, while, opposition parties and labor unions were generally unsuccessful in thwarting the government's efforts to reverse policies that in the past benefited workers, but now undermined economic development, they were successful in internationalizing the linkage between economic development and democratization of the political process. Numerous pleas were made to the international community to bring pressure on the government to hold free and fair elections. Apart from utilizing various international forums to advance their pleas, as mentioned previously, opposition parties and labor unions also targeted international agencies at the local level. For example, the Canadian Embassy was targeted in April of 1989, because the Canadian government headed the Guyana Donor Support Group responsible for ensuring that Guyana received the funding necessary for implementing its structural adjustment program.²⁹² Hence, for many workers in Guyana the Canadians were viewed as being very influential in the adjustment process and a possible ally in calling for fair and free elections. By 1990, the Hoyte administration conceded to holding election that would be monitored by international

²⁹²See Stabroek News, "C'dian Embassy Picked, April 12, 1989 pp 5.

observers such as Former President Jimmy Carter's Council of Freely Elected Heads of Government.²⁹³

²⁹³See Miami Herald, October 8, 1990

Mobilization of Support: Jagan Years

Mobilizing External Support

Despite the changes initiated and Guyana's slow return to creditworthiness under the PNC government the first free and fair election in almost 28 years in October of 1992 ousted the regime from power. The People's Progressive Party (PPP) came to power, continued the debt rescheduling process, and entered in into a new three year leading facility with the Fund. In 1994, the Government began discussions with the Fund for access to a new ESAF and by 1995, was granted a new ESAF.

In 1993, the new Government succeeded in procuring enhanced concessional debt relief from the Paris Club, which aided in reducing debt service obligations from 55 percent of exports of goods and services in 1991 to 39 percent in 1993 (IMF 1994). Debt relief measures were further pursued by the Government under the Paris Club ²⁹⁴ "Naples Terms" which allowed highly indebted low income countries to receive a 67 percent reduction of their debt stock. In May of 1996, Guyana became eligible for this Paris Club arrangement.

Overall, by 1998 through its debt reduction measures and access to IFI resources Guyana was once again viewed as creditworthy by the international community. Based on its efforts at debt reduction the country managed to attain one of the major goals of the structural adjustment package, the 're-establishment of normal financial relations with external creditors'.

Mobilizing Internal Support

²⁹⁴ The Paris Club is a grouping consisting of creditor nations that meet with individual developing countries to negotiate and reschedule debt agreements.

At the domestic level, local investors were no less ambivalent when it came to the PPP government. On one hand, local investors welcomed the election of a democratically elected government because it represented the beginning of a stable political environment. In interviews conducted with local business leaders many expressed the sentiment that with the first free and fair election in 28 years of Guyana's history it was now a time in which divergent policy views would be willingly incorporated in government's decision-making process. Business leaders were generally optimistic that with a democratic mandate, the PPP government, unlike its predecessor the PNC government that was often associated with the 'Culture of Silence,' would be open to opposing public views.²⁹⁵ Essentially local business leaders were hopeful that the PPP government would uphold one of the essential cornerstones of democracy, freedom of speech and expression, and many other contingent democratic freedoms. The willingness on the part of the government to defend these democratic rights, which business leaders perceived as representing a stable political environment would in the long run contribute to a stable economic environment for investment.

However, while local investors welcomed unconditionally the opening of the political space in Guyana, which they perceived as having a beneficial effect on the economic space, they were reticent when it came to the PPP government's economic

²⁹⁵ As Ivelaw L. Griffith points out in his analysis of the lack of democratic freedoms associated with the PNC regime, particularly under the tutelage of Forbes Burnham and to a lesser extent under Desmond Hoyte, a 'culture of silence' developed in which citizens were often forced to suppress their criticisms of the PNC regime due to fear of intimidation and retaliation. Griffith notes that the government used such means as control of the media, restrictions on press imports and control of the courts "to create an environment in where these freedoms were curtailed rather than permitted or encouraged (Griffith, *Political Change in Guyana*, 1997, pp 276)," thereby creating a sort of paralysis on the part of the Guyanese population. Citizens were basically censored if they disagreed with the government policies for fear of reprisals.

development vision for Guyana. Despite the PPP's public reassurances that it was committed to market oriented policies many questioned how would the newly elected government reconcile its Marist-Leninist philosophy of strong state control of the economy with that of the neo-liberal doctrine promoting the limited state involvement and the supremacy of the market.

This question haunted the legacy of the first term of the Jagan administration. On one hand, Jagan continually stressed that it was possible for the interests of the private sector along with the interests of workers be simultaneously met. Essentially Jagan claimed that there was no inherent conflict amassing from the Government promoting foreign investment and guaranteeing workers rights. In an address to workers and visiting investment analysts, one month after entering office, Jagan stated that despite "a lot of propaganda and a lot of observations made our philosophy and our attitude towards labour and capital," the PPP Government, "welcome foreign enterprise ... you are always welcome, you will always be welcome. But please remember I don't want you to come to Guyana and make Guyana what it was in the British colonial days ... we want a genuine partnership, with foreign capital, local capital."²⁹⁶

Jagan's comments appear to suggest that while the PPP did not oppose foreign investment, it stood resolute that workers like capital had an equal role to play in Guyana's development. But more importantly, suggesting that unlike one of the major pillars of neo-liberal philosophy in which it pays homage to capital -private sector- being the engine of growth and development, the PPP's motto trumped that idea suggesting that workers and not capital were the centerpiece of growth and development. Therefore

while Jagan appeared to have adopted a conciliatory tone towards capital rather than outrightly casting them as evil and exploitative, he maintained that capital while serving an instrumental need, were not as important as workers in Guyana's development.

Neutralizing the Opposition

While the international community coupled with the local business community was willing, at least cautiously, to throw their support behind the PPP's first term in office after 28 years, the Guyanese population overall remained polarized along racial and political lines. Although, there were a few Afro-Guyanese who remained politically aligned with the PPP along with Indo-Guyanese who continued to pledge their support for the PNC, generally, support for the PPP was divided strictly along racial lines with Indo-Guyanese supporting the newly elected PPP government and Afro-Guyanese being unsupportive of the PPP.

Cognizant of the historical roots of racial antipathy in Guyana the PPP took measures while running for office to clearly state in its 1992 manifesto its recognition that, "the true interests of all Guyanese lie in working towards national unity and the eventual elimination of ethnic insecurity."²⁹⁷ In reality, the PPP understood clearly that if they won the 1992 election there would be racial and political antipathy directed towards them and their constituency from members of the Afro-Guyanese population and other political parties. Despite the PPP making provisions in its 1992 party manifesto *Time for Change, Time to Rebuild*, to head off any perceived racial favoritism on the part

²⁹⁶Rooting for Labour, "For Genuine Partnership of The Entire Guyanese Nation," 1993, pp 7-8.

²⁹⁷See PPP-Civic, *Time for Change, Time to Rebuild*, 1992, pp7.

of Indo-Guyanese and its pledge towards building national unity they were ineffective and unsuccessful.

The Indianization of the Civil Service

Immediately upon assuming office, the PPP moved to monopolize the governing institutions by placing party cadre, the majority of whom were of East Indian decent, into influential positions. Even among long time PPP sympathizers, like Guyanese scholar Ralph Premdas, the PPP's move was viewed as one of partisan monopolization of the government rather than one of a national unity government attempting to be more inclusive of the varied political voices and ethnic make up of Guyanese society. Premdas observed that after one year in office the PPP, "was essentially an Indian-backed regime and that power was not shared but monopolized by one partisan group alone."²⁹⁸ These sentiments were further echoed and supported by the media with the Stabroek news one of Guyana's widely read and only independent daily news source making note of the fact that the PPP did not remain loyal to its election manifesto pledge of "winner will not take all" suggesting that it was willing to share political power with other parties. Instead, as the newspaper went on to note the PPP engaged in actions tantamount to "winner is perfectly entitled to take all."²⁹⁹

However, as Ivelaw Griffith asserts in *Political Change in Guyana*, it is perfectly understandable and expected that any new government may seek to purge the governing institutions of bureaucrats once loyal to a past administration, particularly one that held power for 28 years. Nonetheless, as he goes on to note the PPP attacked this process with

²⁹⁸See Ralph Premdas, "Guyana one year after the PNC," *Caribbean Affairs*, Vol 7, No 3, 1994 pp 167.

²⁹⁹See "Winner Takes All?", *Stabroek News*, 26 June 1993, pp 6.

“a certain callousness ... dealing with some of the professionals of the former administration, often reflected in short termination notices, reassignment to positions of lesser responsibility, and suspension from duty, in many cases violating their administrative and constitutional rights.”³⁰⁰ Furthermore, many of these positions, which were held by Afro-Guyanese, were then filled with members of the PPP cadre the majority of who were of Indo-Guyanese decent. This factor further fueled the racial antipathies “giving rise to charges of ‘ethnic cleansing’ by the opposition PNC.”³⁰¹

Charges such as ‘ethnic cleansing’ by the opposition PNC only further served to heighten racial tension between Indo-Guyanese and Afro-Guyanese. Increasingly the Afro-Guyanese population perceived the actions of the PPP government as one in which Indo-Guyanese were reaping the benefits of an Indian-led government while Afro-Guyanese were being marginalized.

As one New York Times reporter observed, one month after the 1992 election, “in Georgetown, where most of the black population is concentrated, each decision of the new government, from land distribution questions to moves aimed at clearing the sidewalks of vendors’ stalls has been examined through the polarizing filter of race.”³⁰² The perceptions among the black population, specifically those concentrated in the capital city of Georgetown, was one in which the actions of the PPP government were also reinforced and mimicked by the majority of Indo-Guyanese within the general population. A black bank manager in Georgetown related to New York Times reporter

³⁰⁰See I. Griffith, **“Political Change in Guyana”**, Third World Quarterly, Vol 18, No 2, 1997 pp 278.

³⁰¹Ibid

³⁰²See Howard W. French, **“Doggedness? Toppled in ‘53, He’s Top Dog Again,”** New York Times October 27, 1992.

Howard W. French: "You can feel the cockiness of the Indians already. Young Indian boys will tell you in the street, 'move your black self; we're running things now.'"³⁰³

These sentiments, expressed on both the parts of Indo-Guyanese and Afro-Guyanese within the general population, are reflective of the interwoven nature of race and politics in Guyanese history. During the past decades in which blacks dominated politics in Guyana Indo-Guyanese echoed similar sentiments of a feeling of marginalization. Today the reverse is echoed by Afro-Guyanese in which Indians dominate politics in Guyana. These sharp divisions of support along racial lines appears to suggest that the two major racial groupings in Guyana associate their material well-being, in terms of how resources are distributed, with the political party in power at the time. This further tends to suggest that while objective measurements such as employment figures, property ownership, income distribution and so forth may shed light on the inequalities experienced by the two major racial groupings during a particular administration, the import of these factors are often manipulated by politicians seeking power. These actions tend to pit one group against the other further fueling racial insecurities. In other words, how Afro-Guyanese and Indo-Guyanese interpret and hence perceive their collective and individual well-being depends not only on objective measurements but also on how politicians representing the two groups construct and shape the discourse on distribution of resources. In the Guyanese context, this discourse historically has been constructed and shaped within the domain of race.

³⁰³Quoted from Howard W. French, "Doggedness? Toppled in '53, He's Top Dog Again," New York Times October 27, 1992.

Organized Labor

Just as the general population divided along racial and political lines supporting the Jagan led government's decision to continue ERP efforts, so did the labor movement in Guyana. Initially upon assuming office, the PPP entered into what can be best described as a "honeymoon" period with labor groups. Labor's 'honeymoon' with the PPP government is attributed to the fact that the majority of workers in Guyana were optimistic about the first free and fair election in 28 years. Like those members of the private sector, labor groups felt that the democratic elections held promise of new political freedoms which were previously inaccessible to them during the PNC reign. Secondly, the PPP's commitment, specifically those of President Jagan to fight for the interests of the working class, in terms of improving their standard of living and protecting them from foreign domination resonated loudly among workers.

However, by 1993 the "honeymoon" period gradually ended. As economic growth rates were on the upswing from 1992 to 1994, peaking at approximately 8 percent,³⁰⁴ wages were not commensurate with this economic boom. As one report noted, "by 1993 wages have yet to regain the 50 percent drop in purchasing power that took place between 1988 and 1991, when the Guyanese dollar depreciated markedly. Public sector wages are especially low and teachers and civil servants are now the most militant trade unionist as they become increasingly frustrated by the Government's unfulfilled promise to increase real wages."³⁰⁵ As a result, workers, specifically those within the public sector, became increasingly frustrated with the Government and

³⁰⁴See Government of Guyana: Budgets 1992, 1993, 1994 1995.

³⁰⁵See U.S. Department of Labor: Bureau of International labor Affairs 1993-1994, pp 3.

promptly reverted to partisanship mixed with racial politics. This manifested itself in industrial action such as strikes, sickouts and work slow down activities. Essentially, the Government promoted among workers a sense of high expectations, which were not borne out by the economic reality.

Generally, workers in Guyana supported in principle the tenets of structural adjustment. In recounting the inner working of the Trade Union Congress (TUC), particularly during the period of the introduction of the ERP, Sallahuddin a trade unionist remembers that,

many sectors of the society were agreed on the need for a recovery programme, the economy having nearly ground to a halt. the physical and social infrastructure in a state of disrepair. The debate now centered not on the need but the nature of the ERP ... on the issue of the ERP, the TUC reached the understanding that an ERP was necessary and that Guyanese had passed the stage where they have any doubt about the need for such a programme. What it was concerned about was whether ... the programme would maintain the gains that had been won for workers over the recent decades, particularly in the areas of education, health, housing, subsidies on basic commodities and certain services; whether trade union rights would be respected in a changed economic environment where foreign investors will be playing in the big league, the government relegated to the status of junior partner.³⁰⁶

Essentially workers agreed with the long terms goals of SAP's, which promoted the transfer of capital investments, technology and increasing employment opportunities to make Guyana competitive. However, workers within the public sector, specifically Union representatives, directed attention to the short-term affects of SAP's. Just as workers were concerned about the immediate effects of SAP's during the PNC rule the same issues were revisited under the Jagan led government.

³⁰⁶Sallahuddin, Labour at the Crossroads, 1992, pp 198.

Workers within the two most powerful productive sectors of the Guyanese economy, Sugar and Bauxite, the two major foreign currency earners, fearing large scale retrenchment associated with privatization successfully halted the privatization of their industries. Sugar workers represented primarily by the Guyana Agricultural Worker's Union (GAWU), the trade union considered the political arm of the PPP, increasingly pressured the PPP Government not to relinquish control of the publicly owned Guyana Sugar Company (GUYSUCO) to foreign ownership.

Upon assuming office, the PPP engaged in political posturing appearing to consider the possible privatization of the sugar industry. They initially suggested that before privatization of the sugar industry could take place a revaluation of the process had to ensue to ensure that all transactions were transparent.³⁰⁷ Even the international financial community was under the impression the PPP was in the process of divesting the sugar industry. According to the 1994 Policy Framework Paper (PFP) prepared by both the Guyanese Government and the International Monetary Fund (IMF) the PPP Government agreed to implement incremental measures such as developing a regulatory framework, and continuing to allow the British firm of Booker Tate to manage the Company. These measures were by 1995 to make room for the sale of the sugar industry to foreign investors. The IMF along with the PPP Government agreed "by June 1995, the Government will have taken all the actions necessary or advisable to restructure and privatize GUYSUCO."³⁰⁸ Despite the agreements made by the PPP Government and the implementation of a management contract with Booker Tate, in 1994, "President Jagan,

³⁰⁷See U.S. Department of Labor: Bureau of International Affairs 1993-1994, pp 5.

³⁰⁸See Government Of Guyana: State Paper Enhanced Structural Adjustment Facility PFP 1994-1996, pp 9.

Honorary President of GAWU, publicly stated that there was no need to privatize a profitable sugar industry.”³⁰⁹

Similarly, Bauxite workers were successful in getting the Government to postpone attempts at privatizing their industry. For example, two incidents demonstrate the Bauxite workers ability to influence government privatization policy and the Government’s commitment to the privatization process.

In 1993, the Bauxite workers halted the expansion of the U.S. owned Green Mining Corporation. The PPP Government was in the midst of extending the mining rights of the Green Corporation in return for the mining company forgiving a \$16 million debt owed to them by the Guyanese Government. However, after the Trade Union Congress (TUC), the umbrella union for Bauxite workers, became aware of the deal they petitioned the Government to reconsider. “As a result, Green filed in February of 1994 a claim against the Guyanese Government with OPIC for US\$11.5 million.”³¹⁰

The significance of the Green corporation applying for financial relief from the U.S. Overseas Private Investment Corporation (OPIC) did not bode well for future American investments flowing into Guyana. OPIC which acts as an insurance agency for U.S. investments overseas was placed in a position of reevaluating the risk factor in insuring companies seeking to invest in Guyana. If the Government’s position was one of reneging on investment agreements then any future deals may be seriously compromised. Hence, the PPP’s stance of succumbing to Bauxite workers pressure aided in slowing not just the privatization process but also the speed of foreign investment in Guyana.

³⁰⁹See U.S. Department of Labor: Bureau of International Affairs 1993-1994, pp 5.

³¹⁰Ibid

Again, in 1994 the Bauxite workers slowed the privatization process when they turned their attention to LINMINE, one of the two Government owned bauxite operations. MINPROC, an Australian company was granted a two-year management contract to revamp and make the ailing LINMINE operation financially viable. However, as MINPROC proceeded with its organizational efforts, the key among which was “cutting the workforce by more than a third,”³¹¹ labor viewed the companies’ actions as unacceptable. Eventually, bauxite workers gained the support of the Government, which halted the privatization of LINMINE.

Nonetheless, while bauxite and sugar workers were relatively successful in slowing down the privatization process in Guyana, there was also an incremental shift in the bargaining power of labor in Guyana. The segments of those industries in which workers were now required to negotiate directly with management and not the Government, due to the government turning over the management of some government entities to foreigners, witnessed workers wages increasing and minimal labor disputes arising. For example Aroiamia Mining Company in which the Government maintains a 50 percent controlling interest and the other 50 percent is owned by Reynolds Aluminum, took the initiative in 1993 by offering a 5 year 20 percent wage increase to Bauxite workers. They guaranteed automatic wage increases, which were not tied to workers productivity.³¹² Essentially, Aroiamia attempted to minimize future labor disputes, the majority of which arise due to wage complaints. Additionally, by negotiating directly with management, in this case a foreign company, bauxite workers are slowly extricating

³¹¹See U.S. Department of Labor: Bureau of International Labor Affairs 1994-1995, pp 4.

³¹²Ibid

themselves from the tentacles of government. This shift represents workers wages being determined by market forces as opposed to political party affiliations, which have traditionally, in the Guyanese context been laced with racial undertones. In other words as the economy makes that full transition from state to market dominance, workers once dependent on state decisions in terms of wages, will now have to abide by the decisions of private sector management, who base their wage policy on the market forces of competition, efficiency and productivity.

Conclusion

Guyana's economic recovery program with its capitalist free- market orientation invited the support of foreign and local capital, while generating intense political and labor opposition domestically. Both the PNC and the PPP parties were able to impose its economic liberalization program on the Guyanese population despite repeated attempts by domestic groups to derail the process.

The majority of the opposition to the ERP came from the working class and labor unions. This sector of the population was hardest hit by structural adjustment as many of them saw wage reductions, massive job cut backs and the privatization of many social programs. Labor in conjunction with opposition political parties staged a number of strikes, demonstrations and work slow down to vocalize their growing disenchantment with the ERP. On the other hand, the business class celebrated the introduction of the ERP. During the Hoyte administration the private sector threw their support behind the government and was eventually reward unlimited access to the decision-making

apparatus of the government. In actuality, Hoyte's decision to sever ties with past PNC policies reversed the balance of power between business and labor. Foreign investors and the domestic private sector, which at one time were marginalized by the PNC government gradually during the Hoyte administration, began assuming significant positions of influence. On the other hand, those groups, such as the poor and public sector workers, who were previously privileged by PNC policies, were being relegated to marginalized positions within the decision-making structure. Similarly during the Jagan tenure, the sources of cooperation remained the same as during the Hoyte administration for the ERP. However, both international donors and the domestic private sector engaged in what can be best described as "Conservative Cooperation." The leading cause of "Conservative Cooperation," can be attributed to the PPP's ambiguous attitude towards structural adjustment, which is in part derived from its Marxist-Leninist beliefs and a distrust of the market as the final arbitrator of development.

While, both regimes were successfully in gaining the support for Guyana's ERP among private capital, it is clear their attempts at building a broad base coalition including the working class and the poor failed to materialize. In response to labor's opposition to structural adjustment, the two regimes had distinctive approaches. Hoyte continued to engage in the distribution of political patronage to the TUC, the umbrella labor union closely aligned with the PNC party, in return for its support of SAP's. In order to curb union disaffection the government hijacked the decision-making process putting in place party loyalist to rubber stamp government decisions and secondly engaged in intimidation tactics such as firing, transferring and arresting state employees.

By the time the PPP came to power it was generally recognized by the labor unions that the ERP was there to stay. However, workers within two key productive industries, bauxite and sugar, fearing massive job lay-offs associated with privatization continually keep the pressure on the PPP government not to relinquish control of these public entities to wholesale foreign control. The PPP mantra to stand as the vanguard of the workers appears to have trumped any fear of being penalized by foreign capital. The PPP on several occasions defied the will of foreign capital to gain full control of productive industries siding instead with labor.

While this chapter provides insight into the relationship between Guyanese decision-makers' perception of National Interest, in terms of patterns of cooperation and patterns of opposition towards achieving Guyana's National Objectives, and the decision to embrace the final outcome of the Structural Adjustment Program, what remains to be explained is exactly how Guyanese decision-makers determined what was the best strategy for pursuing the National Objectives of the state. As suggested from the inception of this research and which will be explored further in chapter 5, both the Hoyte and the Jagan administrations' decision to adopt a neo-liberal market oriented strategy to achieve the National Objectives of growth and higher standards of living were conditioned and shaped by the private interests of the most influential in Guyanese society.

Chapter V: The Political Economy of State/Private Sector Relation in Guyana 1986-1997

Introduction

President Hoyte's decision to pursue neo-liberal market oriented strategies embodied in the structural adjustment program of the Economic Recovery Program (ERP) reconfigured State/Private Sector relations in Guyana. Before this period, Cooperative Socialism ruled supreme ideologically legitimizing state control and expansion while de-legitimizing and curtailing private sector participation and expansion. The introduction of the ERP reversed this balance of power and ideologically legitimized private sector participation and expansion while promoting state contraction. As President Jagan takes office in 1992 the legitimization of the private sector as the "engine of growth" is deeply entrenched structurally that the Government attempts to find ways to scale back on the strangle hold private capital has on the Guyanese economy.

Furthermore, the market oriented economic development strategy introduced by President Hoyte accelerates the restructuring of state/society relations in terms of which interests groups the state will be more responsive towards. As in the case of Guyana during the period of Cooperative Socialism, the structuring of the political system was based on the state becoming the "engine of growth." This elevated and provided the Afro-Guyanese working class, such as, unions representing workers in the productive sectors and civil servants, with the advantage of having their interests and demands being adhered to by the state. On the other hand, the adoption of neo-liberal economic strategies restructured the political system by promoting state contraction and forcing state decision-makers to rely heavily on the resources of private capital. Therefore the

structuring of the political system, in terms of responding to demands, during this period gave an advantage to the material (beneficiaries of public policy necessary to continue capital accumulation) and ideological (the appropriate organizational basis of society to ensure continued capital accumulation) interests of the primarily Indo-Guyanese dominated economic section of commercial agriculture, manufacturing and commerce in Guyana.

The Guyanese government's reliance on private capital for economic development during the latter 1980s placed it in the position of having to restore both business confidence and constructing a business climate that was conducive to private capital accumulation. As a result, the Government quickly moved to include individuals representative of the private sector in national policy making decisions. The creation of formal influence networks such as the Presidential Advisory Commission by the government acted as a mechanism through which state decision-makers could ascertain what were the necessary policy initiatives the government had to put in place to ensure adequate levels of investment activity in the economy. Furthermore, the inclusion of members of the private sector on Presidential trips overseas signaled not only the growing prominence of the Guyanese private sector but also the acceptance by the government that increased participation of foreign investment in the Guyanese economy was instrumental to the country's economic recovery. In essence, the inclusion of the domestic private sector symbolized to the international community the willingness of the government to restructure the economy along market-oriented lines whereby the market and not the state would determine economic activity.

The purpose of this chapter is to examine and explain the emerging relationship between Guyana's national economic policy orientation of structural adjustment and certain key political, economic and cultural attitudes of Guyana's elites. The main argument proposed in this chapter asserts that there is a high correlation between the material (who should be the primary beneficiary of public policy) and ideological (the appropriate organizational basis of society) interests of Guyana's economic elites and the actual policy proposals of the government's structural adjustment program. In other words the argument advanced here is that Guyana's economic elite, representing Guyana's private sector were able to have their interests transmitted and subsequently reflected in Guyana's ERP. Specifically, the chapter establishes the linkage and ties between the interests of influential members of the society and the decision-making apparatus of the state. This linkage between elite interests and Guyanese decision-makers' perception of national objections is explored within the context of evolving state/private sector relations in order to ascertain how and why the type of economic development strategy a state pursues determines which groups in society will have the most access to and influence on the policy making apparatus of the state.

First, an overview is provided of state/private sector relations during the Burnham tenure in which the Cooperative Socialism programs shifted the benefits of capital accumulation out of the hands of the private sector towards the working class. Secondly, the Hoyte administration's assumption of power in 1985, which signaled a change in party leadership in Guyana, but not a change in the ruling party, is examined illustrating a reversal in state/private sector relations during a period of economic liberalization. The

third aspect of chapter 5 concentrates on the historic transfer of power from the PNC government to the PPP, an administration sympathetic to Marxist-Leninist ideals and the struggle emerging between the state and the private sector.

State/Private Sector Relations: Burnham years 1975-1985

Cooperative Socialism and the Marginalization of Private Sector

Before 1986, the private sector in Guyana was marginalized and its development seriously constrained by the state. As Clive Thomas notes, private sector development was seriously constrained due to the Socialist Cooperative model declared in 1970, which gave the cooperative sector dominance over the national economic structure. "For it was through cooperative ownership and control that the socialist foundations of the society were to be laid."³¹³ Until 1985, the state boasted that it controlled 80% of the economy. This control was concentrated in the bauxite, sugar and commercial banking sectors, major industrial and service enterprises, and new public sector enterprises. This meant that the other 20% of the economy was concentrated in private hands. "Private sector activities were largely devoted to agriculture (particularly in rice farming) construction,

³¹³ See Clive Thomas 1988, "National Experiments: The Radical Options Cooperative Socialism Guyana," pp 253. As discussed previously Guyana was declared a Socialist Cooperative Republic in 1970 by then Prime Minister Burnham (who in 1980 with a constitutional change became President) the attending policy initiatives which were embodied in this declaration developed over the next five years. They included:- nationalization of foreign owned companies, social goals of the government providing shelter, clothing and food for public, the domination of the cooperative sector over the state and private sectors, and PNC paramountcy over all other parties and the state itself. See Burnham (1970) "A Vision of the Co-operative Republic," (1974) "Declaration of Sophia," (1975) "Towards the Socialist Revolution."

some services, the smaller manufacturing enterprises, gold and diamond mining and trade.”³¹⁴

Economic Marginalization of Private Sector

Despite the fact that the other 20% of the economy was presumed to be outside state control, private sector activities were severally manipulated and regulated by the state. This was represented by price controls and import licensing regimes. Reflecting on this period one businessman states:

the other 20% was to some extent also under state control in the sense that they were state controlled by price controls ... Our company fell under that ... Everything you wanted to do you had to apply to the government to get a retail price of the cost ... You had to fill up all of these documents and present it to the Ministers of Trade and Finance in relation to what your selling price was going to be of your product. Secondly all goods you imported you had to get a license from the government. So, your board of directors was really not the ones who decided prices... The government just passed down the rule and that was implemented (Reis: interview 1998).

In order to protect its socialist cooperative program, which in essence promoted self-sufficiency and self-reliance, the Burnham regime acted to insulate the economy from the pressures of both international and domestic capital. It did so by first restricting private sector transactions such as imposed restrictions on foreign exchange access by having foreign exchange controls, which limited the private sector's ability to move their assets and to prevent capital flight. Also high import duties, consumption taxes and requirements of import licenses were meant to encourage import substitution whereby the Government was promoting local production for domestic consumption “as a means of

³¹⁴World Bank: Guyana Private Sector Development :1993 :1.

rationing scarce resources.”³¹⁵ This however, led to companies being unable when necessary to import goods or parts that were essential to their operation. Introduction of price controls also meant that the private sector was unable to determine or manipulate prices one of the key factors in determining their profit margins. Furthermore, limited avenues were available to the private sector to gain access to credit from the financial sector. Again during this period access to attaining financial resources were often confined to institutions established by the state, such as the Guyana National Cooperative Bank (GNCB), which were designed to support cooperative and not private initiatives.”³¹⁶

Additionally, the two major foreign exchange earners in private sector hands, rice and gold mining were forced to sell their products directly to state boards, the Guyana Rice Board and the Guyana Gold Board, respectively.³¹⁷ However, despite the fact that the Government forced rice framers to sell their harvest directly to the government in return for funds to “buy fertilizers and to hire plowing, reaping and harvesting services,” Government policies restricting imports had the inimical effect of creating “shortages of a range of necessary inputs including fertilizers, insecticides, bags and cutlasses.”³¹⁸ Hence, not only did the production of rice for local consumption and as a major foreign

³¹⁵See World Bank, 1993, *Guyana: Private Sector Development*, pp 32

³¹⁶See Thomas, *The Poor and the Powerless* 1988, pp 253. Thomas also points out that in order for many businesses to gain access to financial resources they would form themselves into a cooperative to take advantage of concessions offered by the Government and then dissolve the cooperative and run them according to private initiatives.

³¹⁷See World Bank Private Sector Development report 1993.

³¹⁸See Jeffrey and Baber, 1986, *Guyana Politics, Economics and Society*, pp 147

exchange earner decrease but rice producers then resorted to smuggling of rice outside of the country searching for higher prices than assigned by the Government.³¹⁹

Infrastructure Constraints

Complicating private sector woes was the precipitous decline of essential infrastructure. This was evident in the areas of transportation, communications and energy generation. The World Bank report on Private Sector Development in Guyana noted that in the area of transportation one of the most common complaints from members of the private sector was “the poor quality of existing roads,”³²⁰ and the inability of Government to maintain roads. Furthermore, a poor telephone system, in terms of limited lines, the inability to communicate with other businesses locally and internationally coupled with unreliable and unpredictable electricity supply often caused lost of business.³²¹

Human Resource Constraints

The human resource factor also played a role in further frustrating the private sector's development. Members of the private sector constantly complained about the difficulty in “recruiting and retaining skilled workers such as engine mechanics, welders, truck drivers etc.,” and about “a shortages of competent engineers, geologists and other

³¹⁹Ibid pp 140

³²⁰See World Bank, *Guyana: Private Sector Development*, 1993, pp 37.

³²¹See Guyana Human Development Report 1996 and World Bank Country Study: Guyana: Private Sector Development 1993.

scientists.”³²² Many skilled workers and highly trained personnel opted to migrate to the United States, Europe and the Caribbean in search of a better standard of living and in some cases fleeing what Clive Thomas refers to as the “repressive escalator” of the state.³²³ Thomas argues that as living conditions deteriorated due to: endemic shortage of basic consumers goods, reduction in real wages, production crisis due to mismanagement, increasing inflation, deteriorating social services, increasing balance-of-payment deficits and a huge black market, along came popular resistance to the Burnham regime. In order to counter the rise in popular resistance the Government resorted to oppressive and coercive means such as undermining the “right to work through political dismissals and victimization of agitating workers.”³²⁴ As a result, many skilled workers who took part in resisting the Government were often forced to leave the country after being “blacklisted” and hence unable to work in any sector in Guyana.

The other significant aspect of the human resource dilemma confronting the private sector was declining educational standards in Guyana. Members of the private sector asserted “the deterioration of all levels of the educational system impaired essential skills of the Guyanese workforce...job entrants often fail to meet basic literacy requirements and fall behind the educational level of new workers a few decades ago.”³²⁵

In interviews conducted with member of the private sector many lamented that during the period of Cooperative socialism the Government’s inability to manage the system along with the lack of financial resources necessary to maintain aspects of the program

³²² See World Bank, *Guyana Private Sector Development*, 1993, pp 39.

³²³ Clive Thomas, *The Poor and the Powerless*, 1988, pp 262-263

³²⁴ Ibid pp 262

³²⁵ World Bank, *Guyana: Private Sector Development*, 1993, pp 1

led to the general deterioration of the social infrastructure. Christopher Fernandes, the CEO of Guyana's largest shipping company John Fernandes Limited noted that the Government's overly ambitious plan of extending free education to all with out regard to the financial cost became a primary stumbling block and led to the deterioration in the educational system. Fernandes reflected that:

the way in which we did it from nursery to university like trying to provide free textbooks and uniforms was too idealistic. Just did not have the income to sustain that and as a result when we take political decisions like that we were not brave enough to say we made a mistake. So we allowed ... could not afford a system. So, our education system has declined through the last 20 years. To bring it back is a mountainous task. We have almost gone full circle, because everybody now has gone to private lessons. Those who can afford go, those who can't, don't...it is easy to talk about solutions but a lot harder to implement (Fernandes: interview November, 1998).

Further echoing Fernandes' concerns about the Government's lack of financial planning and questioning the Burnham regimes rationale of extending educational opportunities to all regardless of ability to pay, Mike Brassington, then CEO and Managing Director of Guyana Refrigeration Limited (GRL) commented:

you know I feel education is a wonderful thing that you have to commend people for. But the question is, were you ever able to afford it? And if you could afford it, at what level or standard would you be able to afford? I have always argued that even if you wanted it introduced the basis of free education was that the man at the bottom who could not afford to send his child to Queen's or Saint's...what you were trying to do was equalize the opportunity for education. Therefore, it should have been on an earning base. Because otherwise there would not have been enough money which would have been voted for education or earned from education ...(Brassington: interview November 1998).

As both Fernandes' and Brassington's comments reflect the Government's ability to operate the educational system effectively was seriously curtailed by the lack of financial

resources. In effect, the education system in Guyana became a victim of the deepening economic crisis. On the one hand, Prime Minister Burnham in 1975, before he became President in 1980 due to constitutional change, claimed that Guyana's development was depended on securing adequate skilled manpower, which could only be provided through providing educational opportunities.³²⁶ However, while the Government promoted education as one of the key ingredients for development its economic policies conflicted with the realization of this goal. The economic policies governing Cooperative Socialism such as the rationing of foreign exchange, high import duties and consumption taxes on consumer goods meant that the basic raw materials for educational development- textbooks, writing materials, blackboards, science laboratory equipment- were in limited supply. Because of high demand and limited supply, the prices of educational materials skyrocketed preventing many school-aged children from achieving the educational skills necessary for participation in Guyana development. In addition to which the already existing instructional material and equipment along with the deteriorating physical accommodations for schooling precipitously declined over the years.³²⁷ In 1994 an Inter-American Development Bank (IADB) report on Guyana concluded that past economic policies of the Guyanese government has contributed to "a decline in the percentage in of trained teachers, poor teaching methodologies, low morale among teachers whose salaries can hardly be lower and inadequate staff to manage and service a system which is, not surprisingly, internally inefficient."³²⁸ Overall, the declining

³²⁶See Burnham, Towards a Socialist Revolution 1975.

³²⁷See Jeffrey and Baber, Guyana: Politics, Economics and Society, 1986, pp 155-160 and Guyana Human Development Report 1996, pp 61-62.

³²⁸See IADB, Guyana, 1994 pp 213.

educational system not only constricted the Government's goal of development in terms of producing an educated and skilled workforce but also served to undermine the private sector's ability to attract and retain qualified and skilled labor.

All of these factors restricting private sector transactions within the state-controlled economy gave rise to an informal and illegal market economy. Many business people calculated that the only way to survive amidst constraints on their livelihood was to engage in such activities as smuggling, tax evasion and under-reporting of income. Recognizing that price controls which limited businesses ability to manipulate one of its major determinants of profit levels, import controls which restricted their ability to acquire necessary spare parts and goods important to their business, and exchange controls which prevented businesses from moving their assets overseas to safe havens, all posed the serious problem of their wealth evaporating.

Political Constraints

In addition to the private sector's development being constrained by government economic policies, it was also marginalized politically. The Guyana government, under the leadership of Forbes Burnham, not only employed policies to miniaturize the private sector in relation to public sector domination, but also utilized the strategy of dividing the ranks of the private sector limiting their ability to organize as a collective voice in national policy making. Often key members of the private sector community would meet with the President on an individual basis in order to procure concessions pertaining to their sector or individual businesses. As a result, what developed was a highly

personalized relationship between the President and the capital owning class where “non-state elites might be provided with highly lucrative contracts, with guarantees that the state would not interfere in their affairs...”³²⁹

In exchange for political support of the Burnham regime private sector members were provided access to resources. As the regime gradually extended state control of the economy, it became increasingly difficult for the private sector to secure the contracts, incentives and financial resources necessary for its survival. One East Indian businessman reported that during this period that although he disagreed with the ideological position of the Burnham regime with regards to the political and economic arrangement of the society he, “like most businessmen in the country, depended heavily upon state-generated contracts to ensure his own economic survival. He also depended upon preferential exemption from the burden of state control to remain in business.”³³⁰ The experiences of businessmen in Guyana during this period tends to suggest that the state was instrumental in mediating and regulating access to resources once enjoyed by the capital owning class, but now appropriated almost exclusively for the public sector and the regimes key constituent group the Afro-Guyanese working class.

Business people soon recognized that they were dependent on the whims of the President for their business survival. The President conducted his relationship with the private sector on a patron-client basis in which state resources were employed as a source of patronage to achieve political order and stability. R.S. Milne in a comparative study of ethnically bipolar societies concluded that in the Guyanese case all final decisions on

³²⁹See Hintzen, *Cost of Regime Survival*, 1989, pp 72

³³⁰*Ibid* pp 122

appointments and rewards were located with the President who had to give his personal approval.³³¹

Racial Politics

During this period, other important elements governing the relationship between the state and private sector were the issues of foreign control and race. Before the introduction of 'Cooperative Socialism' which was viewed as the restructuring of the economic order the Guyanese economy was considered to be structured along the lines of a mixed capitalist economy. This was based on a "market mechanism with heavy emphasis on private, and especially foreign investment. Loans and grants that were generously supplied by the U.S. were largely allocated to building an infrastructure of roads, communications, security, etc. to attract investors. It impacted favorably to the benefit of the old plantocracy and the multinationals. However, there was another aspect of this strategy, which was a grudging concession to Burnham's ethnic interest. This consisted of building the coercive and security forces out of mainly African recruits, and of allocation of expenditures to provide jobs in the public service for urban residents."³³²

While the mixed capitalist structure of the economy brought some benefits to Burnham's Afro-Guyanese supporters, in terms of Afro-Guyanese beginning to dominate public sector positions the long-run goal of Afro-Guyanese sharing in the economic largess of the country required a change in the economic order. Specifically, it required

³³¹See R.S. Milne, Politics in Ethnically Bipolar States: Guyana, Malaysia, Fiji, 1981, pp 148.

³³²See Ralph Premdas Ethnic Conflict and Development: The Case of Guyana, 1995, pp 170-171. Also see Ivelaw L.Griffith, "The Military and the politics of change in Guyana," 1991 for further discussion on the beginning of the Africanization of the security forces in Guyana.

neutralizing the influential productive sector dominated by the capital owning class of Portuguese, Chinese and East Indians. In order to achieve this goal the government announced in 1970 that a re-arrangement of the social and economic order was necessary. Burnham claimed that "A re-arrangement of our economic and social relations which give the workers that substantial and preponderant control on the economic structure,"³³³ was in order. Essentially this marked the beginning of a the creation of a Afro-Guyanese elite in which the regime was willing to use state resources as a vehicle for providing economic wealth for a particular ethnic group.

³³³See Burnham, A Destiny to Mould, 1970, pp 157.

Restructuring of Society under Cooperative Socialism

Cooperative Socialism, which expressed the goal of re-arranging economic and social relations, was manifested in the government nationalizing foreign owned companies in the Sugar and bauxite sector along with the banking sector. This practice was equally extended to the local business community where the government took over vital import and export firms and wholesale and retail businesses. European and East Indian businessmen were the primary losers in this re-arrangement.³³⁴ Hintzen adds that “Cooperative Socialism” on the whole, which attempted to re-arrange economic and social relations, was a political tool used by the regime to bring more socio-economic benefits to primarily the middle-class Afro-Guyanese who controlled the state bureaucracy and the trade unions. Essentially nationalization allowed the public sector to invade the private sector domain, which in turn represented more jobs for the Afro-Guyanese middle class supporters of the Burnham regime. “State penetration of the private sector offers to state employees almost unlimited opportunities for improving their socio-economic position because they are called upon to fill high paying and prestigious posts vacated by the private sector workers.”³³⁵ Furthermore, those businesses within the private sector that escaped nationalization also served to further the interests of the Afro-Guyanese supporters of the regime. This was primarily achieved by the state increasing the appropriation of taxes from local businesses to help fund extended state programs.³³⁶

³³⁴See Premda, *Ethnic Conflict and Development*, 1995 pp 171.

³³⁵See Hintzen, *Cost of Regime Survival*, 1989, pp 66.

³³⁶See Ibid and Hintzen and Premdas, “*Race, Ideology and Power in Guyana*, 1983.

Restructuring of Colonial Capitalist Class Structure

However, Burnham recognized that although the state had succeed in eliminating foreign control of the economy, at the local level the concentration of national wealth resided in the hands of a few East Indian, Portuguese and to a lesser extent a few Chinese individuals. These individuals were engaged in private small-scale rice farming, commercial and trading activities. The structure of the capital owning class in Guyana represents a 'carry-over' from the colonial period. The colonial socio-economic class structure, in terms of the ethnic make-up of the owners of capital, significantly continues to shape the current socio-economic class structure in Guyana. The colonial capital owning structure has been described as follows:

The owners of capital were mainly European: in the later evolution of Guyana, intermediate size businesses were mainly controlled by the Portuguese, Chinese, and a number of Indians. Most wealth was controlled by Europeans in combination with a handful of Portuguese, Chinese and Indians. The Africans as a whole were excluded but in the 20th century, many of them, including a mixed-race category, occupied strategic positions in the public service. Nevertheless, the greatest degree of poverty, unemployment and economic deprivation were generally found among Africans. Although there were many poor Indians, generally most Indians emerged as better off than Africans. The colonial heritage, then bequeathed an economic order of inequality that was preponderantly ethnicised.³³⁷

As the 20th century unfolded the structure of capital ownership shifted. The Europeans (the British) were replaced at the apex of the social stratification structure by the Portuguese, Chinese and East Indians, respectively. Specifically, the Portuguese assumed the status position vacated by the Europeans. This was due to the fact that,

³³⁷ See Premdas, ***Ethnic Conflict and Development: The Case of Guyana***, 1995, pp 166-167. For further descriptions and analysis of the colonial class structure in Guyana see Leo Despres, *Cultural Pluralism and Nationalist Politics in British Guiana*, 1966.

sugar plantations began to shift away from small planter-owned operations to larger, more capital-intensive and cost efficient enterprises run by managers and financed by absentee owners resident in Britain. Eventually, the sugar industries ... were taken over by almost entirely, by multinationals. This shift brought with it the demise of the British plantocracy in Guyana and Trinidad as English owners of small plantations were forced to sell. Most returned to Britain.³³⁸

However, as Hintzen points out although the Portuguese replaced the British their wealth and political influence was short lived, “considerably following the Guyanese regime shift to its socialist program in 1971. In the face of this subsequent weakening of the private sector, many choose to migrate overseas.”³³⁹

In the meanwhile, the East Indian business community gradually rose to take the place of the Portuguese owning capital class. The East Indian business community that would eventually dominate the private sector in Guyana acquired their wealth because of land ownership. Colonial authorities had placed restrictions on East Indians participating in sectors other than agriculture.³⁴⁰ This in the final analysis facilitated land ownership on their part. According to Hintzen, “ownership of land set the stage for the upward mobility of many East Indians. During the twentieth century, many were able to use savings accumulated from their peasant undertakings to invest in small businesses. In some notable instances, such businesses have grown considerably.”³⁴¹

³³⁸ See Hintzen, Cost of Regime Survival, 1989, pp 22.

³³⁹ Ibid pp 23

³⁴⁰ Initially East Indians were prohibited from acquiring an education due to the fact that the colonial planters wanted to hold on to their labor services. Eventually as East Indians were provided the opportunity to receive an education the economic reality of either sending your child to school (often this was only a consideration for male children) which cost money or having them remain to work in the Creole gangs thus earning money for the family often militated against East Indians being as well represented as Afro-Guyanese in the Public sector. See Daly, A Short History Of the Guyanese People, 1975, for further details on the struggle for social justice among East Indians in Guyana.

³⁴¹ Hintzen, Cost of Regime Survival, 1989, pp 25.

The Government was confronted with this unequal distribution of wealth concentrated in the hand of a few East Indians, some Portuguese and Chinese that the Burnham regime engaged in transforming not just the distribution of wealth from private to public hands but also attempting to change the racial composition of capital ownership in Guyana. Should the economy lack total state control, Burnham recognized that the Afro-Guyanese population stood to benefit less from the gains of independence. As C.Y. Thomas noted, Burnham used the state apparatus as a means to create an Afro-Guyanese political economic elite and as a means to empower Afro-Guyanese who, compared to the Indo-Guyanese population, held little economic power. Referring to the relationship between political power and economic power in the Caribbean context, Thomas states:

In the Caribbean ... the consolidation of economic power was consolidated after political power and the state machinery had been seized. This development suggests the notion of a 'state for itself', in other words, a situation in which those controlling the state use it to promote the economic interests of their own group of family, friends, and political allies. State power is therefore being used to form the nucleus of an indigenous bourgeoisie (Thomas: 1988: 192).

Hence like in the English-Speaking Caribbean the Burnham regime attempted to create an 'indigenous' black bourgeoisie by first capturing the state apparatus and then employing the resources of the state to empower blacks economically. It was therefore instrumental to gain total control of the economy by first expelling foreign investors through the process of nationalization and then moving to marginalize the established capital owning class consisting of primarily East Indians.³⁴²

³⁴² Similarly Jane Harrigan explains that during the Guyana/ IMF negotiations in the early 80's, the Burnham regime resisted opening up the economy fearing that "the Indo-Guyanese supporters of the opposition PPP ... stood to gain most from freeing-up the economy." Jane Harrigan 1991: 385.

In other words the marginalization, or as one Former President of the Georgetown Chamber of Commerce, Mr. Dennis Moore, characterized it the 'emasculatation' of the private sector was guided by both political and economic objectives of the state. During this period the miniaturization of the private sector served not only to entrench state sector dominance by constraining private sector transactions but also to further perpetuate racial cleavages in the political and economic structures. In reality, these events aided in shaping public perception that the private sector role in national development was unequal to that of the state.

Furthermore, in the final analysis, the material and ideological interests of the Afro-Guyanese middle class and the reminder of the Afro-Guyanese population that the Burnham regime purported to be representing were undermined by the economic crisis gripping the Guyanese economy by the late 1970's. The Government's continued reliance on the exportation of sugar, rice and bauxite as a means to finance it growing public sector expansion, which aided in increasing the socio-economic position of Afro-Guyanese, came to a halt by the end of the 1970's. This was due in part to declining international prices for it major exports while prices for vital imports such as oil and plant and machinery goods increased. Faced with a deteriorating balance of trade and increasing price inflation the Government was forced to adopt a "self-reliance strategy which focused upon import substitution and which itself grew out of a shortage of foreign exchange."³⁴³ In the end, the Government banned many essential goods, which led to

³⁴³See Jeffrey and Baber, Guyana: Politics, Economics and Society, 1986, pp 133. Additionally as has been discussed in the previous chapter this was also the period in which the Burnham regime turned to the IMF and World Bank to try to access international financial resources to address its growing balance of payment crisis.

consumer shortages leaving many of its supporters dissatisfied and unhappy with the declining standard of living. Those who choose to vocalize their disenchantment and discontent with the Government were swiftly handled by the burgeoning security apparatus as the state's disposal. Moreover, the general Guyanese population at large became increasingly disenfranchised by the government's refusal to hold free and fair elections.

Shifting Relations between Private Sector and State: Hoyte Years

Transformation Years 1985-1992

Burnham's death in August 1985 and the assumption of power by Desmond Hoyte marked the beginning of the unshackling of restrictions on private sector activities and a shift in the balance of power reverting from workers back to the capital owning class. Upon assuming power in 1985, the Hoyte administration was soon confronted with a state-led economy in shambles. Recognizing that the option of continuing state-led development was unreasonable given that by the late eighties international patronage from the former Soviet Union and the Eastern bloc countries was declining, the Hoyte regime quickly came to terms with the idea that private capital, both international and domestic, would be necessary to restore Guyana's economic health. In the process, the seeds were planted for the formation of an autonomous private sector community one that would come to play a significant role in shaping national policy in Guyana.

President Desmond Hoyte, unlike his predecessor, began the process of formalizing relations between the state and the private sector. As mentioned before this

effort was all part of the state's recognition that the Guyana's economic trajectory had to change. Unlike, the past regime's state led development policies, in which the state dominated, the new market oriented policies being discussed by 1986 placed the burden of growth on the private sector. The private sector was touted as the community responsible for generating growth. This was particularly the thinking among those in the international community who constantly referred to the private sector as the 'engine of growth'.³⁴⁴

It could be reasonable to assume the Hoyte administration realized that private assistance was now necessary to restore Guyana's economic buoyancy. This meant that a reliance on international capital, particularly in the form of foreign investment, would require on the one hand dismantling the constraints placed on them through nationalization, and on the other reversing public perception that foreign capital was the enemy of the state as it was considered during the Burnham tenure. Similarly, and probably politically significant, when it came to public perception, specifically among Afro-Guyanese, with regards to assistance from the domestic private sector in charting Guyana's new economic course, the racial and ethnic composition of the private sector would have become part of the public discourse and a cause for concern.

Like the past Burnham regime, the Hoyte administration was quite familiar with the reality that the private sector in Guyana, which was and still continues to be primarily dominated by Indo-Guyanese and a handful of Portuguese and Chinese business people. Hence it can be reasonably assumed that Afro-Guyanese in particular were fearful of the Indo-Guyanese dominated private sector asserting its economic dominance and in the

³⁴⁴See World Bank Country Study, Guyana Private Sector Development, 1993.

process championing policies that procured benefits for one segment of the population over others.

Elite Attitudes: Race/Politics and Economic Development

However, the private sector, like the state, during this period of structural adjustment, perceived national development with the assistance of private capital, as bringing benefits to all Guyanese, if not immediately at least in the long run. Interviews were conducted with influential members of the private sector, three East Indian, two Portuguese, one Chinese, and two of mixed ancestry. Questions were asked of them to try to ascertain their attitudes towards who ought to be the primary beneficiaries of public policy and whether or not Guyana's new economic course of economic liberalization elevated one segment of the population's interests over another. In other words the line of questioning pursued sought to determine if with its newly found elevated prominence in assisting the state in economic development the Guyanese private sector felt that they had a stake directly or indirectly in promoting a shared sense of national identity for economic success?

When questioned about which aspect of their heritage is considered important five respondents referred to their national identity as Guyanese. They viewed being Guyanese as an important representation which signified the shared experience of all Guyanese regardless of their racial or ethnic backgrounds. The respondents continuously stressed the shared experience of all Guyanese in order to illuminate the necessity for all Guyanese to work in a harmonious and unified manner to develop Guyana. As one respondent affirmed:

I have lived abroad. I know what it is like to be a minority ... We all have to build Guyana. No segment of the population ... no country when it is divided can prosper. We have to form our linkages get our people to work

in harmony. But this disharmonious relationship has been created by our politicians (Persaud: interview 1998).

While, many of the respondents identified themselves as Guyanese they equally recognized the pervasiveness of racial tension, primarily in the political arena, in Guyana and that all Guyanese are not sisters and brothers. In other words while many people who reside permanently in Guyana may consider themselves Guyanese this national identification is often accompanied by one of the two racial classifications of Afro-Guyanese or Indo-Guyanese. Furthermore these racial slash national categorizations point to distinctions among Guyanese conveying the idea that Indo-Guyanese and Afro-Guyanese hold varying perceptions of who ought to be the primary beneficiaries of the country's resources.

The national elites attributed the root of racial tension present in Guyanese politics to the opportunism of Guyana's political leaders from the two main political parties the People's National Congress (PNC) and the People's Progressive Party (PPP). The former party recognized as representing and articulating the interests of Afro-Guyanese, while the latter the PPP is identified with those of the Indo-Guyanese population. Both are accused of employing the race card to win votes. Specifically, those interviewed observed that racial animosity was more pronounced during election cycles. In the words of Clifford Reis, CEO of BANKS DIH:

Guyana traditionally has been exploited by both political parties in racial voting. Both of them have capitalized on it. The PNC is printing that bigtime, that if you're Afro-Guyanese you will vote PNC. The PPP is the same way. The PPP used the cup (a symbol denoting the party). The cup is everything to an Indian man - he uses it for tea in the morning; for his dhal; his ice water- that cup he puts on his waist (Reis: interview 1998).

Building on Reis' observation Brassington expounded on the racial cleavages that become pronounced during elections between blacks and Indians:

a good percentage, 60% of them, anytime you go to the polls you are guaranteed 60% of them will vote if they are Indian ... will vote for the PPP, and 60% will vote for the PNC (Brassington: interview 1998).

During elections held in 1997 attempts were made by both the PNC and the PPP to be more inclusive and representative of the Guyanese population on their election slates.

However, as Election Day approached it was evident that entrenched racial voting patterns continued to be the main appeal of the respective parties. This element was most notable during political rallies. Reflecting on this period Mr. Fernandes observed:

you get the feeling that what happened in the last election (1997) both parties were trying to involve the other races by putting various races on the slate, and having them in the executive. But as time came closer and closer ... if you review the videos of the meetings, and without blocking out the speakers on the platform, you could tell which party was having a meeting. Chinese and Portuguese, so small in number you could not see them (Fernandes: interview 1998).

Based on the responses gathered the root cause of racial voting and escalated racial tension in Guyana stems from the necessity on the part of politicians to achieve and maintain power. To achieve this goal one respondent asserted that politicians utilize the race card by playing with the minds of the uneducated and thus help promote and fuel the animosity between blacks and Indians.

Central to the resolution of racial strife in the political sphere many respondents hinged their hopes and bets on the future decisions of the younger generation.

Repeatedly, respondents alluded to past and present generations of politicians as damaged by the politics of the past. Many felt this did not bode well for uniting Guyanese:

the older generation I consider damaged by the politics of the past. Because of all the misdeeds that were carried out against both of these two races (Indians and Blacks) and a lot of them are guilty of a lot of things and, they can never pardon each other. The only hope this country has is the next generation ... The younger people who are educated and who are exposed, and you understand the only way the country can go forward is as a united people (Ming: interview 1998).

Echoing Ming's sentiments Persaud similarly expressed:

this could only be resolved by people probably a younger generation of politicians. We have the old hands still around. It can only change by a new breed of people determined to see change and want to see things happen (Persaud: interview 1998).

While many respondents relied on the generation gap to reduce and eliminate racial voting and animosity, one respondent held a slightly divergent view. Mr. Reis declared that the erosion of ethnic loyalties was only possible through increases in economic power. Reis figures:

what is going to happen in Guyana is the economic power, where globalization is going to change a lot of religious voting and ethnic voting ... Economic power is going to change everybody's mind about voting. Because its going to ask what is that guy giving me. Because I only have one lifetime to live in. What this ethnic group thing has to do with me? Nothing! I believe in my own, but I want a television, a microwave. I want to go to college. I want to go on vacation. I want good medical services. If he can't offer me that or my children I can't vote for you ... It's going to happen in Guyana. Maybe it will come late, 30 years. But it's going to happen. If the PPP or the PNC change their views and start talking about economic programs and the wealth of the nation they are going to have people who will cross and vote for that guy. Ideology is going to go through the window. It happened in Europe and now in North America and the Caribbean is no different. It's going to all go out the window. And that's the only future we got (Reis: interview 1998).

Obviously from the point of view of the Guyanese private sector a shared sense of national identity, and not an identity based on racial or ethnic sentiments, promotes successful economic development. According to the opinions expressed by members of

the private sector, it would appear that a united not a divided Guyanese population augurs well for economic development. The issue of race-based politics is viewed as a problem rooted in the struggle for power between the two major political parties, the PNC and the PPP, which continues to be imitated and reinforced by the general population. Therefore, while members of the private sector stood to gain substantially from the new economic trajectory being deliberated by the Hoyte administration, based on the fact that they would now be assisting the administration in restoring Guyana's economic buoyancy, the issue of being Guyanese all working for the betterment of the country was far more important. The issue of racial division is viewed as a debilitating problem that militates against development.

In the final analysis what the views of the most influential members of Guyanese society reveals is an urgent need to shift the political pendulum from one of race politics - polarized racial voting - towards one of economic politics - voting based on the ability of a party to offer the best program for economic growth and personal well being. Private sector members appear to strongly suggest that the practice of race politics leaves open the door for the growth of a repressive state apparatus that must continually govern by authoritarian means in order to satisfy a particular racial group. Essentially this kind of politics facilitates strong divisions in society, which militates against a shared sense of national identity and eventually leads to political and economic instability. On the other hand engaging in the politics of economic well-being promotes the liberalization of the political space and the cultivation of democratic principles accompanied by free market principles. In the long run, private sector members suggest that a society governed and

organized along democratic ideals of contestation, personal liberties and freedoms coupled with the freedom of the market to operate with little state intervention, increases opportunities for all citizens, regardless of race or ethnicity. This therefore promotes a shared sense of national identity, working towards the betterment of the country so that all Guyanese may benefit, which is instrumental to successful economic development.

Formalization of State/Private Sector Relations

The Hoyte administration's realization that private capital input would be necessary for Guyana's economic recovery began to open up several channels for private sector participation in national development. It can be assumed that as the government sought private sector assistance in spurring economic growth it had to not only involve member of the private sector in national decision-making but also improve the economic environment so as to build business confidence giving the business community ample incentive to want to invest in Guyana. The administration's decision to incorporate the private sector into the decision-making process along with implementing measure to restore business confidence can be considered as "subsidiary" and "structural" mechanisms that act as means to serve the interests of capitalist regardless of whether they intervene or not.³⁴⁵ Fred Block notes in his assessment of the relationship which develops between the managers of the state apparatus and capitalist that "subsidiary" and "structural" mechanisms aid in reproducing policies which serve the general interests of

³⁴⁵The discussion of "subsidiary" and "structural" mechanism is taken from Fred Block's assessment of how the state continues to reproduce and represent the general interests of capitalists whether capitalist directly seek to exert their influence or indirectly exert their influence based on the position they occupy in society. See Fred Block, **"The Ruling Class Does Not Rule: Notes On The Marxist Theory Of The**

capitalist. Here Block conceives of “subsidiary” mechanisms as ‘the techniques by which members of the ruling class are able to influence the state apparatus directly.’³⁴⁶ For example in order for the ruling class to satisfy their immediate interests, which are based on capital accumulation, capitalist may “apply pressure on the state for certain kinds of lucrative contracts, for state spending in certain areas, for legislative action in their favor, tax relief, for more effective action to control the labor force, and so on.”³⁴⁷ Secondly, capitalist directly attempt to increase the number of influence channels making the state more receptive towards them “through various means, including campaign contributions, lobbying activities, and favors to politicians and civil servants.”³⁴⁸ Finally, capitalists directly attempt to influence the state by participating “in various private policy-making groups that have a powerful impact on the formulation of government policies.”³⁴⁹

However, while all of the above techniques employed by capitalists seek to ensure that government policies represent their interests, Block points out that in the final analysis “structural” or indirect mechanisms, mechanisms that are embedded in the system are the ones that really act to ensure that politicians will formulate and implement policies reflecting the interests of capitalist. Here Block argues that politicians’ tenure in office is determined by the health of the economy and the level of economic activity, which “is largely determined by the private investment decisions of capitalists.”³⁵⁰ Hence, politicians must take into consideration policies that seek to encourage

State, 1977, and Gill and Law, *The Global Political Economy*, 1988, pp 83-101.

³⁴⁶ See Fred Block, “The Ruling Class Does Not Rule,” 1977, pp 12-13.

³⁴⁷ Ibid pp 13

³⁴⁸ Ibid pp 13

³⁴⁹ Ibid pp 13

³⁵⁰ Ibid pp 15

investment, which in turn will be successful depending on whether or not the subjective factor of “business confidence” operating in the minds of capitalists is high. In other words depending on how capitalists evaluate and perceive the general political and economic climate in the country, “is the society stable; is the working class under control; are taxes likely to rise; do government agencies interfere with business freedom; will the economy grow?”³⁵¹ Will shape their decisions to invest or not invest ultimately determining the health of the economy and the future of the government. Essentially, Block argues that due to the fact that capitalists can influence the levels of capital investment in a country, the position that they occupy in a society, which is dependent on the decisions of private investment, facilitates them indirectly exerting power.

Restructuring of Private Sector Influence Networks

Based on Block’s analysis of the relationship that develops between the state and private sector there are significant parallels that can be drawn with the situation developing in Guyana during the tenure of the Hoyte administration. As Hoyte assumes power in 1985 he is confronted with an economy in crisis, where there is little or no room for government spending, wages of the public sector are not commensurate with raising consumer goods, what consumer goods are available are in short supply and unemployment is growing. To make matters worse the strong public Afro-Guyanese support that was once enjoyed by the previous Burnham regime, is declining and the political opposition drawing on the increasing discontent among Guyanese and the

³⁵¹ Ibid pp16

international movement towards economic and political liberalization combine to challenge the legitimacy of the administration.

Recognizing that the ability to maintain power rest on restoring the Guyanese economy and that private capital would be necessary to do so, Hoyte moved to formalize relationships with a once marginalized private sector. This was evident in the Former President's actions of including members of the private sector on his trips overseas to meet with politicians and potential investors. One member of the private sector that accompanied the President remembers:

he went overseas and he took some of us, Mr. Persaud was one. I was one, Kayman Sankar, and we met some very influential people in different parts of Chicago, New York, Washington D.C. We met two representatives from the U.S. Congress, and one Senator. The idea was not to go and say Guyana's doors are opening tomorrow. The people were hearing different views from a different group of people saying what Guyana has to offer and where the political situation was going. And I'm positive that out of those meetings that the ERP started (Reis: interview 1998).

This initial initiative by the President to include prominent Guyanese business people in his travels abroad signaled to both the international and local business community that the Guyanese government was not only seeking their assistance in revitalizing the economy but specifically at the domestic level that the Government was serious about developing a partnership with the private sector. A partnership that can also be viewed as a means of the state making amends to the private sector for its years on the periphery of national economic decisions. As the Former Minister of Finance indicated:

the explicit strategy in 1988 and in earlier programs was to enable the private sector to exercise its functions fully within the economy. And

perhaps fulfill its potential at the productive level (Greenidge: interview 1997).

Complimenting the state's inclusion of influential business people in trips overseas President Hoyte also moved to establish a Presidential Private Sector Advisory Commission. The primary function of this commission was to have members of the private sector advise the government on matters affecting the private sector in Guyana.³⁵² Through participation in the Presidential Private Sector Advisory Commission, members of the private sector were given direct access to the formulation of government policy. The government's decision to engage members of the private sector in the decision-making process suggest that state decision-makers valued private sector recommendation when it came to national development. As a result, it is safe to assume that private sector participation in these policy channels allows for their material and ideological interests to be easily transmitted and to be reflected in policy outcomes. Block notes that these "influence channels make it less likely that state managers will formulate policies that conflict directly with the interests of capitalist."³⁵³

The Other Private Sector

Hoyt's Presidential Private Sector Advisory Commission conveys the added perception that the private sector members invited to participate were the legitimate representatives of the private sector agencies in Guyana. While many members of the president's commission belonged to the traditional private sector agencies, for example

³⁵²See Frank Long, "The New International Political Economy of Guyana," 1991 pp 77-79.

³⁵³Fred Block, "The Ruling Class Does not Rule," 1977, pp 14.

the Georgetown Chamber of Commerce and the Guyana Manufactures' Association, these organizations in of themselves were not represented. As the former Minister of Finance commented:

the private sector representation that you see, that is exercising the dominance in the restructuring program was the, if you like an ad hoc group. It was not the established private sector, for example, CAGI, Berbice Chamber of Commerce, Georgetown Chamber of Commerce IPED (Greenidge: interview).

Therefore, just as the pervious government under the leadership of Forbes Burnham had marginalized the traditional private sector agencies, so did the Hoyte administration. However, whereas, Burnham took the patron-client approach dealing with members of the private sector on an individual basis, Hoyte appeared to rely on the collective views of key individuals he perceived to be representative of the private sector.

As Hoyte states:

one business person could talk about a problem that was not only his/her's, but one of the entire private sector ... This created a situation for people to bring problems collectively and for them to put them before the government in a more structured way their owe ideas, for example, what they felt was wrong with the government's tax system or any other government structure, mechanism or policies, what were their proposals for improving it ... Also gave government the opportunity to test any ideas government might have ... It was a way of saying lets talk about the policies before we [government] go off and do it, and you [Private sector] jump up and say you disagree ... If we pass legislation and adopt policies it would be something that they could agree with (Hoyte: interview).

The formation of the President's Private Sector Advisory Commission challenged the legitimacy of the traditional private sector agencies to represent its members view in national policy. Additionally, the commission forced the traditional private sector to find

alternative ways of reestablishing its influence as the representative and champions of the private sector cause.

One such agency the Georgetown Chamber of Commerce and Industry (GCCI), in 1987 commissioned a study of the "Examination of Structure, Operation and Potential of Georgetown Chamber of Commerce and Industry".³⁵⁴ The final report compiled by Leon Rockcliff illustrated the restrictive policies employed by the Burnham regime against the chambers protecting the interests of its members. The report pointed out that in mid 70's the government introduced the External Trade Bureau to coordinate the government's new enterprises in trading and commercial activity. The ramifications were quite clear that eventually, "there would be no room for the private sector in the importation of goods for ordinary commercial trade. Distribution also became the sole preserve of the governmental agencies (Rockcliff: 1987: 2)." By 1982 with many public sector agencies assuming membership in the Georgetown Chamber of Commerce (GC&C), the leadership of the organization saw it as a political strategy, on their part, to add 'Industry' to its name. Hence, the agency became known as the Georgetown Chamber of Commerce and Industry. According to the leadership:

This was done in partial response to the clear indication from the government that manufacturing industry, as a potential net earner of foreign exchange, would be the main focus of attention and the recipient of any advantage in the commercial sector (Rockcliff: 1987: 2).

At the same time, the GCCI began to realize for it to be successful in representing its case to government on matters affecting commerce/trade/industry it would be well advised to spearhead joint approach efforts with other private sector agencies. This took the form of

³⁵⁴ See Report to "The Chairman Committee for Examination of Structure, Operations and Potential of

collusion with the Guyana Manufacturers' Association (GMA) and the Consultative Association of Guyanese Industry Limited (CAGI). However, by 1986, with the creation of the President's Private Sector Advisory Commission the Chamber's once again suffered a sever blow to the legitimacy of its representation. Rockcliff concludes:

with the institution of this committee [President's Private Sector Advisory Committee] by H.E. the President of the Republic, many of the issues that might ordinarily be expected to fall for discussion with a Camber of Commerce and Industry have devolved upon this high-level Committee. There is an inherent challenge to the Chamber to be more imaginative, articulate, and more vocal in its commentary on national issues and in its initiative for the relief and assistance in matters of commerce and industry. Recent pronouncements by the President of that Committee purporting to be made on behalf of the Chamber tend to erode the validity of the Chamber's existence if allowed to go without appropriate comment (Rockcliff: 1987: 4).

Despite observations made highlighting the erosion of the Chamber's as lacking influence in the restructuring program, the report made fruitful recommendations. It suggested, just to name a few, the Chamber's becoming more involved in monitoring litigation affecting trade/commerce/industry, publishing data on opportunities for investment, and maintaining a permanent liaison with the Ministries responsible for Trade, Manufacturing, and Industry. Importantly the report ventilated the idea of a merging between the Chamber and the leading manufactures' association GMA. The reasons specified:

- a) the industry sector was beginning to upstage the trading sector in importance and hence wondered if the Chamber could "validly sustain the right of representative as an entity distinct and apart from a body such as the Guyana Manufacturers Association" (GMA).
- b) a merger would strengthen the power of "representing the fortunes of the manufacture and/ or trader (Rockcliff: 1987: 8 & 9).

Georgetown Chamber of Commerce and Industry" prepared on 14th, July 1987.

While the restructuring of the Guyanese economy, with one of the central components being the strengthening of the private, provided the traditional private sector agencies opportunities to reassert themselves, the private sector also faced challenges to it being a truly representative voice of the entire private sector. It is reasonable to extrapolate that a major factor surrounding why the President's Private Sector Advisory Commission was composed of an ad hoc group of big business in Guyana, and not the established private sector agencies, had to do with the issue of a perceived fragmentation among the agencies. In assessing the reason why the established private sector agencies in Guyana did not exercise dominance in the restructuring program, the Former Minister of Finance offered this explanation:

the reason for this was that within the private sector, you have an enormous amount of personal rivalry. The people that are dominant and influential in one agency are not in another. The Georgetown Chamber of Commerce, Chairman does not get along with the Berbice Chamber of Commerce ... When they come to meetings at the Ministry of Finance one element is going to fight down the other in order to get its concerns or interests represented (Greenidge: interview 1997).

Therefore, when it came to the issues of who was the legitimate representative of private sector concerns the state essentially circumvented this issue by going outside of the established private sector. The state solicited members of the Guyanese community it perceived could represent the view of the private sector in a collective manner. It also placed certain members of the private sector in a privileged position compared with other members. This suggests that a handful of influential members of the private sector were responsible for shaping the policy direction of Guyana during the Hoyte years.

Liberalization Years

By 1987, the incremental liberalization measures introduced by the government to stabilize the economy represented the dismantling of constraints on private sector participation in the economy. Moreover, the new policy direction of the government sought to restore business confidence in the economy. The government recognized that the restoration of a health economy depended on the investment decisions of the private sector; therefore, to insure high levels of capital investment it was incumbent upon the government to remove obstacles inhibiting private investment.

The state first attempted to correct the overvalued Guyana dollar through the mechanism of devaluation. The Guyana dollar moved from G\$4.40 to G\$10 per U.S. dollar. Furthermore, through the Foreign Currency Licensing Act of 1989, the state allowed a limited amount of private sector transactions at the market rate of G\$21 to the U.S. dollar. Additionally, in order to ease the foreign currency shortage Cambios were made legal, thus increasing the foreign currency flows.

The devaluation of the Guyanese currency was particularly advantageous to those businesses involved in the export sector. Secondly, the limited 'freeing-up' of some transactions at market rates proved beneficial to those in the gold and diamond industry. Domestic manufactures also witnessed some relief in the area of price controls. The state dismantled many price controls leaving only those that applied to products produced or imported by the public sector. Yesu Persaud, an influential member of the private sector remembers that:

as a result of the opening up of the economy in 1991, in a bigger way in 1990, by 1991, the rice industry started to recover because the government

had removed all the controls whereby the farmers had to sell to four super bureaucracies. Where there were not even getting a good price. When the controls were removed and they could go into the market and sell their rice, things started to change. People started to go back into the industry. People who left the industry went back. In the case of sugar, the state management of the estates was a disaster. Booker Tate came in 1990 to manage the estates. And by 1991, there was a turn around (Persaud: interview 1998).

However, by 1990 there was dissatisfaction among the ranks in the private sector. Many within the private sector complained about the slowness of the implementation of the liberalization process. With two years to go before elections in 1992, the Hoyte administration in 1990 commissioned a body "To inquire into the problems facing the Private Sector in Guyana and to make recommendations therewith and all other related matters." This report became known as the Beauregard Report.³⁵⁵

The overarching purpose of this report was to document the problems:

- a) inhibiting the Guyana private sector in its effort to expand, assume a more dynamic and dominant role in the economy and make its full contribution to the national objectives of sustained economic growth, development and national prosperity; and to make recommendations to the government for dealing with these problems, and
- b) to enable the private sector to realize its full potential within the national economy bearing in mind Guyana's commitment to the principal of Caribbean Cooperation and Integration and taking into account the developments taking place in the wider world economy (Beauregard Commission: 1991: 1).

The report's conclusions can be summarized in three parts. Part one highlights the issues of public service deficiencies, lack of managerial and technical skills, stringent fiscal policy and infrastructure deficiencies as disincentives to private sector development

³⁵⁵The Commission was headed by Clovis Beauregard, a native of Martinique who is closely associated with the business community in CARICOM. He has served as Secretary-General of the Caribbean Commission, Vice-President of the Caribbean Association of Industry and Commerce, and Honorary

and expansion. In part two, the Commissioner reflects on the implications and ramifications of increasing trading bloc integration (EEC), the end of the cold war and the increasing ascendancy and influence of neo-liberal market ideology on the structure, organization and management of the Guyanese economy. The final section made recommendations for improving the environment in which the private sector operates.

The recommendations that garnered the attention of the government focused on the fiscal system. This was reflected in an address by President Hoyte to the business community in August of 1991.³⁵⁶ In the area of cooperate taxes the government agreed to remove differential tax rates applied to commercial companies, non-commercial companies, and long term insurance companies. In its place, a uniformed corporate tax rate of 35% was introduced. Secondly, the government attempted to tackle the issue of consumption taxes, which has been and continues to be a contentious issue between the state and the private sector in Guyana. The government reduced the number of consumption taxes from 28 to 4, along with the levels of taxation applied to these categories. Additionally the government agreed to commission a comprehensive study on consumption taxes due to the fact that:

Notwithstanding these reforms, the business community has continued to complain that the existing taxes still had an adverse effect on the viability, competitiveness and profitability of their businesses. It therefore became clear to the government that this problem was not susceptible of a solution through a case-by-case or ad hoc approach. It requires a comprehensive study (Address by Desmond Hoyte: 26 August 1991).

Director General of the Chamber of Commerce of Martinique.

³⁵⁶ See "Address by His Excellency Hugh Desmond Hoyte, S.C. President of the Co-operative Republic of Guyana, on the occasion of the presentation of the Beauregard Report at the Pegasus Hotel, Georgetown, on 26th August, 1991."

Thirdly, the consumption tax on commodities such as educational materials and pharmaceutical was removed.

Proposals were also made to strengthen the revenue collecting agencies, such as, the Inland Revenue Department and the Customs and Excise Department. Businesses operating in the formal/legal private sector complained that they continued to share the majority of the tax burden while businesses in the informal/black-market evaded taxes. As one delegation participating in the Beauregard study pointed out:

the Custom Department charges duties and consumption taxes not at the official rate G\$45.00 to US\$1.00 but at a rate of G\$70.00. This further puts licensed and disciplined manufactures and businessmen at a disadvantage, as the self-employed pay no duty, consumption tax on goods at port of entry, or personal taxes. They create no employment and provide unfair competition to legitimate businesses, possibly leading to bankruptcy (Beauregard Report: 1991: 7).

In response, the government began efforts to computerize the Inland Revenue Department, to ensure that all persons eligible to pay taxes became a part of the tax register. Equally important to businesses was the inadequacy of the Customs and Excise Department in the areas of enforcement, inspection and interdiction of smuggled commodities that competed in the black-market with their goods. Hence, the government agreed that the department would acquire computers, motor vehicles, motorcycles, a motor vessel, power generators, and receiving and transmitting sets in order to strengthen its interdiction and inspection capabilities. Cumbersome bureaucratic procedures were also abolished or reduced. This was evident in within the licensing regime where all licenses, such as, import and export licenses were abolished.

A significant proposal arising out of the Beauregard Report was the formation of a private sector umbrella organization to allow more effective interaction with the government. Many private sector members expressed the view that, "the private sector in Guyana was too fragmented and needed to solidify" (Beauregard Report: 1991: 16). Given past state-private sector relations, in which, the private sector was miniaturized during the height of state-led development the formation of an umbrella organization presented the unique opportunity for them to play a meaningful role in Guyana's economic development. Referring to the fragmentation of the private sector in Guyana and a need for a single body representation Commissioner Beauregard concluded:

This, in the opinion of the Commissioner, should be interpreted to mean that it was very difficult for too many different entities to carry out a permanent and useful dialogue with government, in an effective consultative, as well as active, capacity. It is felt, however, that in Guyana existing economic sectoral groupings are playing a very useful role, each of them in its specific field, and should, continue to operate by all means. What is needed, above all, is one single body to be the legitimate representative of the private sector as a whole [production, trade, services] (Beauregard Report: 1991:16).

Moreover, the United States Government, through the auspices of the IFI's, actively supported the formation of a macro-body or single cartel to manage and defend the interests of the private sector. A Former President of the Georgetown Chamber of Commerce and Industry³⁵⁷ intimated that it was at the urging of the Americans with help from the Cater Group³⁵⁸ that the Private Sector Commission was formed on January 28 1992. The promotion of an umbrella private sector organization by the IFI's is in line

³⁵⁷ Result of an interview conducted with Dennis Moore, who is currently the CEO of CLICO a Trinidadian Insurance Company.

³⁵⁸ The Cater Group refers to President Cater's internationally known elections monitoring group that is headed by the former President and several prominent U.S. citizens.

with dominant neo-liberal free market ideas of encouraging a strong private sector to counteract the expansion of state activities in the market arena. Essentially the liberalization of the Guyanese economy created a new space for the traditional private sector to articulate its interests and solidify its roles in Guyana's development. Moreover, it elevated a handful of members of the private sector into very privileged positions in the policy-making apparatus. By being inserted into the policy-making apparatus, this allowed them to transmit their policy preferences to the state decision-makers, which were in turn reflected in the policy outcome of the Economic Recovery Program (ERP).

However, most importantly the liberalization years represented a restructuring of the Guyanese society, which reinforced the material and ideological interests of the business community. In interviews conducted with influential members of the Guyanese business community the liberalization of the economy was perceived as bringing about economic development. Respondents interviewed characterized economic development as the ability to produce commodities and securing lucrative international markets coupled with every other sector playing a major role. The infusion of foreign capital in conjunction with local capital is seen as being an instrumental factor in fostering economic development. Their attitudes towards the role of private capital in Guyana's economic development process is consistent with the approach adopted by the Hoyte administration during the liberalization years of trying to resuscitate the Guyanese economy.

As mentioned above, the Hoyte administration calculated that economic development could only be achieved by inviting private capital to participate in Guyana's economic recovery. In order to determine the precise mechanisms to be put in place to ensure private capital participation, particularly at the local level, the Government invited influential members to advise it, "on matters affecting the private sector's role in the economy. Dialogue began between the government and the business community on matters concerning economic development."³⁵⁹

Furthermore, those respondents interviewed believed that the function of the state in economic development was that of a facilitator rather than a creator of wealth. Respondents unanimously agreed that the state had a significant role to play in development, such as, providing concessions, incentives and maintaining the infrastructure of the country. However, they felt that the private sector ought to always have the most significant role in development. Stanley Ming CEO of Ming's Products, a conglomerate specializing in construction expressed his opposition to state intervention in the economy:

Some of this stuff you hear government has to do this, or government can do this is a fallacy. Unless people in business and in private professions create wealth by producing and offering services and in so doing pay all the taxes; employee taxes, corporate taxes etc., then government has nothing. We get carried away with government can do this or that. The thing that government does or are suppose to do is ensure that when the tax payers contribute, what ever taxes are paid as a result of their wealth and jobs and everything that they generate, that they are distributed in an equal fashion. But I'm still to see a politician that generates anything other than confusion and waste. That is why over the years we have been brainwashed. Its almost as if the government is giving up something. The government never gave us anything yet. It is you and me that pay taxes.

³⁵⁹See Frank Long, "The New International Political Economy Of Guyana," 1991, pp 79.

That gives government the wear it all to do the programs they are suppose to be doing and in most cases they don't do it (Ming: interview 1998).

State intervention in the economy is discredited among the private sector as a plausible and viable means for achieving economic growth. Moreover this perception among members of the private sector that it is responsible for creating wealth and not the Government falls into line with the Hoyte administrations decision to deregulate and open up the economy in order to encourage higher levels of private investment which the government was dependent on to re-energize the Guyanese economy.

Momentum Lag - The Jagan Years 1992 –1997

In October of 1992 general elections in Guyana ends an era of PNC rule. For the first time in 28 years free and fair election were held and the PPP government in combination with a CIVIC component under the leadership of Cheddie Jagan comes to power. This historical change in Guyanese political history, while a celebration for proponents of democracy, produces uncertainty for private sector/state relations.

Uncertainty Looms

The private sector in Guyana during this period became unsure of its privilege position inherited because of economic reform introduced under the PNC regime. With the accession to power by the PPP, a known Marxist-Leninist party, many advocates of free market principles began to fear a reversal of government economic policies. During election campaigning, the PPP repeatedly criticized the structural adjustment program entered into by the PNC. The party leaders constantly referred to the Economic Recovery Program (ERP) introduced by Hoyte as the 'Empty Rice Pot'. Secondly the PPP's history

as the first Marxist regime to have been elected in the Caribbean and subsequent British and American maneuvers to oust the party from office coupled with its Marxist rhetoric throughout its years in opposition left many unsure of its continuance of the ERP.

The PPP Responds to Its Critics

To reassure its critics that it was not primarily a Marxist party and was opened to other ideas the PPP first moved to form an alliance with businessmen and a few professionals. This alliance soon became known as the PPP/CIVIC component. For example Sam Hinds, a black Guyanese trained professionally as an engineer and a part of the CIVIC group that joined with the PPP, assumed the prominent position of Prime Minister in the government. Secondly, Jagan appointed Asgar Ally as his Minister of Finance. Ally who was Jagan's advisor prior to the PPP coming to office and also held the credentials of being a trained economist and advisor to other Caribbean governments, such as Jamaica and Trinidad, on structural adjustment programs. These two political moves conveyed the impression that the PPP was opened to ideas other than that of outright state controls. Many were optimistic that the PPP would sincerely consider pursuing the economic reform agenda started by the PNC.

However, internal rumblings among party cadre in the PPP threaten to derail the entire ERP. The first Minister of Finance during the PPP's first term Mr. Asgar Ally recounts:

Most of the party people derived their professional experience from Moscow training, which was in the area of state planning. I was able to convince party stalwarts that they had no alternative but to continue reforms and interactions started by the PNC. It took some time to convince

them that they had no alternative given the state of the economy. I stated that there was no going back to the past and that if the government planned to access the resources of the Fund and the Bank along with resources from other governments...to help Guyana then you had to have an IMF/World Bank umbrella...pursuing the objectives of the structural adjustment program was conditional and part of the whole process of obtaining international donor assistance both in kind and cash grants soft loans and debt relief write off (Ally: interview 1998).

Ally attributes the PPP's decision to continue the reforms started by the PNC government to cogent arguments he presented stating that the government really did not have any alternatives. He felt that his experience with other structural adjustment programs in the Caribbean, gave him the political currency necessary for Jagan and other party members to defer to him on these issues.

Recognizing that Jagan and members of the PPP had difficulties reconciling their Marxist philosophy with free market principles Ally claims that he attempted to find a position in the middle that would please international financial agencies and at the same time allow the PPP to maintain their ideological integrity. Ally proposed

they really had no alternative to the ERP and that they would have to go along with it but with a few modifications like in the area of privatization. I attempted to stall that program for about a year before I got the PPP position worked out on privatization, which was approved in a paper by Cabinet. The title was 'Principles of Privatization' (Ally: interview 1998).

Ally's privatization paper presented to Cabinet was adopted as the government's privatization policy, which set out the process of how privatization ought to proceed in Guyana.

Because of the government's new privatization policy, which really sought to re-examine the policies in this area by the former regime, privatization of state owned enterprises halted. The Former Minister of Finance believes that

The PPP was very against privatization because they still believed in state control and up to today that is so ... The PPP was against privatization of GEC [electrical company] and sugar. Those were areas that were the biggest bone of contention between the government and the IFI's (Ally: interview 1998).

Therefore, while the PPP appeared on the surface to be opened to free market principles it created barriers that militated against that realization. Its 1993 privatization policy, which sought "to halt divestment of national assets at give-away prices" (Government of Guyana: 1993: 5), essentially created uncertainty and frustration among potential investors. The government's indecisiveness as portrayed through its tactics of 'stalling' and 'delaying' when it felt its Marxist philosophy was under attack left many with the impression that

They would do things because they have no choice but delay it ... They were going along but their hearts were not in it and people perceived that and that's why you did not have investment in the country. The perception among investors, and quite understandable, was that the government was not committed to the structural adjustment program and that at any point the government could reverse themselves (Ally: interview 1998).

Furthermore, the government's constant criticism of the past regimes investment deals with the OMAI mining company and Barama the South Korean forestry company left many feeling that it was anti-foreign investment. Investors were further cautious when the PPP government reintroduced the cabinet position of Minister of State Planning. Finally, in 1995 the President under pressure from party stalwarts accepted the resignation of the Minister of Finance Asgar Ally. Ally feels that:

They wanted to go back to policies introduced in 1962 when they were last in office. Fortunately, they had their way. But by 1995, after the third budget, probably felt they had enough of me. They wanted to move away from market policies. They continued some of it, but not all of it (Ally: interview 1998).

Upon the resignation of Ally, the President nominated Ally's Deputy Bharrat Jagdeo, a Moscow trained economist to the post of Minister of Finance. Ally's departure and Jagdeo's appointment put into question the government's commitment to the sustenance a free market economy and the role of the private sector at the forefront of development. In a letter to the Editor of the *Stabroek News*, one of Guyana's largest daily news circulations, in 1998 Asgar Ally responded to criticisms leveled against him by PPP party hardliners suggesting that he was asked to resign because he was unqualified for the position as Minister of Finance. Ally responded pointing out that party hardliners strongly urged President Jagan to ask for his resignation because he was a capitalist who had different ideological perspectives on such issues as privatization and the role of the state sector.³⁶⁰

By 1996, the private sector was expressing their reservation and concerns about doing business in Guyana. Government's lack of the wherewithal to get things done coupled with "there is too much constraints, too much restraint on the part of government,"³⁶¹ were sentiments often expressed by members of the private sector. Members of the Aviation sector bitterly complained that the government often demonstrated bias against private industry in favor of the public sector. President of the Local Aircraft Owner Association Mike Correia noted that while the government had put

³⁶⁰See *Stabroek News*: Letter to the Editor, "I regret that I resigned as Minister of Finance. I should of let them fire me," Sunday December 12 1998.

on hold applications for additional aircraft acquisitions by private owners it allowed the public owned airline's Guyana Airways to purchase an additional twin-otter aircraft.

Additionally Correia alluded to the fact that the private aircraft industry was not given duty and consumption tax rebates on fuel, spare parts and access to operate modern technology aircrafts. Essentially Correia noted that this practice promotes unfair competition and suggested, "What goes for the GAC (Guyana Airways Corporation) must also go for private aircraft operators."³⁶²

However, while the private sector was calling on the government to free up state bureaucracies they perceived to hinder business transactions, the government simultaneously was calling on the private sector to 'put its house in order'. President Jagan contended that his government was not trying to block private sector development of the economy, but rather was seeking to make the private sector socially responsible. Jagan referred to companies failing to meet their contractual agreements with the government, along with businesses charging high prices for locally produced commodities. In other words, the government was indicating that it was not prepared to allow capitalism to be practiced unfettered.

The Minister of Finance Bharrat Jagdeo also chided members of the private sector for their inability to recognize that private sector development required a united approach as opposed to individualistic concerns. Speaking before members of the business community Jagdeo contended that the private sector in Guyana was not ready to be the 'Engine of Growth'. The Minister stated, "Our private sector because of a number of

³⁶¹ Statement made by Beverage Industrialist Yesu Persaud, *Stabroek News* Tuesday April 30 1996.

³⁶² See *Stabroek News*, "Businessmen urge review of air transport policy," Tuesday April 30 1996

difficulties (not of its own making) is not ready to be that engine of growth."³⁶³ Although Jagdeo made this observation, he was quick to point out past government policies contributed to the difficulties being experienced by the private sector. Nonetheless, Jagdeo lamented that in consultations with him the private sector often raised concerns affecting individual companies instead of focusing on issues affecting the private sector as a whole.³⁶⁴

Assessing why it is that the private sector had reached an obstacle in terms of fulfilling its potential to influence national development policy, some lay the blame squarely at the foot of the private sector itself. Ming, a prominent businessman, suggested that the tendency of groups to be aligned with one political party or the other is at the root of the problem:

Again, because of the small-minded politics that has played out in Guyana during the years almost every organization in Guyana has been politicized. And there are few organizations that run independently or are apolitical. The old concept of divide and rule has worked very effectively for the PNC and PPP in Guyana. You give a few guys certain privileges, they go over to that corner for you, and that set goes over to that corner for you. You haven't had any true organization that represents the masses of Guyanese. And that is something that works very good for politicians. And they almost work at keeping it that way, because once you can divide and rule you can manipulate (Ming: interview 1998).

Furthermore, the private sector's inability to promote a collective agenda is viewed as a hindrance to it being included in national policy decision-making. A European Union representative John Caloghirou made the observation that the private sector's fragmented

³⁶³ See "Private sector not ready to be engine of growth - Jagdeo - foreign capital inflows needed," *Stabroek News* Thursday June 20 1996.

³⁶⁴ *ibid.*

nature in Guyana militated against its importance in the development process. Caloghirou claimed:

In order ... to mobilize their strengths not only in obtaining demands from the government, but also in activating the assistance that is currently on offer by external organizations and donors, there is need to define bodies and mechanisms that will promote the collective consensual position of the sector...A proliferation of organizations with important-sounding names and officers, but which are non-viable because even their own members do not take them seriously, doesn't contribute much to the development of the sector (Caloghirou : Stabroek News : November 10 1996)."

Regardless of the shortcomings assigned to the private sector in terms of its inability to full its potential, many remain optimistic of its future. One businessman commented that the creation of the Private Sector Commission provides a necessary instrument to place pressure on the state to acquiesce to business demands and to energize the private sector. Beni Sankar, indicated:

We are trying to make the Private Sector Commission a very strong commission so when we go and talk to the government we don't have to listen to what they are telling us. They are going to listen to what we are telling them. And these are the views of people like Mr. Reis and Mr. Persaud. The government dealt with the private sector on a divide and rule basis. The Private Sector Commission is about 5 or 6 years old. They got money from the European Union to set it up. They got money from PL480 to buy the building. I was chairman for one year.... If we can get a strong Private Sector Commission, which we are getting now, and everybody pull together we are going to have a more vibrant country. I think the present government wants to listen, they want to do things, but because of their inexperience, they can't get anything done. You look at it Mr. Burnham was there for 25 years. Most of the politicians [PPP] were there, trying to get back into power. They never upgraded themselves education wise, and I can tell you it's not easy to develop experience to run a business. It's difficult you have to be in it (Sankar: interview 1998).

Conclusion

The main argument advanced in this chapter is that the political, economic and cultural attitudes of the Guyana's elites are highly consistent with the structural adjustment policies formulated and implemented by Guyanese decision-makers. Specifically, the Guyanese elite attitudes relate to their definition of national identity, their preference regarding authoritarian vs. democratic politics, socialist vs. capitalist development, and elitist vs egalitarian social relations.

The attitudes of the Guyanese elites became the source of decision-makers' perceptions of the strategies, both internal and external; they needed to employ to achieve economic and political stability. The perceptions of Guyana's decision-makers of the strategies needed were instrumental in the formulating of the national objectives- economic growth and increasing the standard of living.

Hence, this chapter reveals that the Guyanese decision-making system acted as a conduit through which elite ideas and attitudes were funneled and subsequently reflected in national policy outcomes. Through formal networks and influence channels, such as, the Presidential Private Sector Committee, and members of the private sector accompanying the President on foreign trips, the Guyanese private sector acquired a high degree of access to the decision-making apparatus unparalleled to other groups in Guyanese society. These networks and channels permitted the private sector the ability to transmit their preference regarding the political, economic and cultural organization of society. Complimenting and reinforcing the private sector's ability to influence and shape national policy in their favor was the restructuring of the Guyanese economy. The restructuring of the economy along market-oriented lines necessitated the reliance of the state on private

capital. This in turn gave the private sector the ability to veto, indirectly, policies opposed to their interests.

Furthermore, as this chapter illustrates private sector influence in general, and business elite influence in particular, on national policy, is conditioned to a certain extent by the type of economic development model the decision-makers perceive as instrumental to achieving and maintaining political and economic order. During Burnham's reign, the activities of the private sector in Guyana were severely constrained politically and economically by the state. In order for the Socialist Cooperative model to succeed it was incumbent upon the Government to marginalize the private sector in the development process first by insisting that through its economic policies that the state was the major engine of development. Secondly, through patron-client procedures in which President Burnham became the main arbiter of deciding which members of the private sector received incentives the interests of the private sector were decided on an individual rather than a collective basis.

By 1986, collectively and individually the private sector in Guyana witnessed a reassertion in its ability to shape national policy. With the assumption of power by President Hoyte and the PNC government under his leadership renouncing the former development programs embodied in Cooperative Socialism an alliance is pursued with the private sector as private sector capital becomes instrumental in achieving and maintaining political and economic order. As a result, the political and economic shackles placed upon the private sector during Burnham's reign are removed and the private sector is inserted into the national policy decision-making process.

Despite favorable international reviews the Hoyte administration received in its attempts at both economic and political liberalization in Guyana, the Guyanese public's memory was not as sympathetic. The PNC's past mismanagement of the economy, practices of fraudulent elections and the voting along racial lines were all played out in October of 1992 in the first free and fair election in 28 years. As a result, the PPP is elected to office and agrees to continue the Economic Recovery Program (ERP) albeit with modifications. The decision to continue the ERP with modifications, specifically in the area of privatization became a contentious issue between the state and the private sector. This was perceived among members of the private sector as the Government attempting to constrain private sector influence on national policy. However, while the Jagan government may have been successful in slowing down the privatization process in Guyana, as seen by its failure to attract only a handful of foreign investment and its inability to privatize state owned industries in its first term, it was less successful in dismantling the entire foundation upon which the Economic Recovery Program was based on. The liberalization policies, promoting the market as the final arbiter of economic decisions and hence the private sector as the "engine of growth," which were put into place by the previous administration in essence acted a constraining mechanism against heavy state intervention. The Jagan administration recognized that private capital from both international and domestic sources would not be forthcoming should the government decide to revert to state-led development policies. Essentially the policies and programs put into place by the Hoyte administration created an environment in which private capital would have a veto power over state policies if they were viewed as not

being in the best interest of the business community. Overall, neo-liberal policies embodied in Guyana's Economic Recovery Program directly and indirectly placed the private sector in Guyana in a privileged position to exert influence in national decision-making policy. Hence the role of the private sector in national policy making in Guyana's moved from obscurity to inclusiveness by 1986 and by 1992 again faced restrictions on its newly found re-assertiveness in national policy making. However, the private sector remains influential, if not directly but indirectly, based on their ability to determine the rate of economic investment needed for the government to successfully fulfill its national objectives of economic growth and increasing the standard of living.

Chapter VI: Conclusion: The International and Domestic Politics of Structural Adjustment

Restatement of Problem

As stated from the inception this study seeks to identify and examine those factors responsible for explaining why third world countries in general, and Guyana in particular, chose the particular policies they did in response to pressures from the International Monetary Fund (IMF) and World Bank to adopt structural adjustment programs. In other words the purpose of this research is to answer the question: "Given the range of potential policy options why did Guyana choose to adopt IMF and World Bank structural adjustment programs?" By focusing on the case study of Guyana, this study seeks to draw conclusions that can contribute to the building of a general theory about the decision-making process during a period of economic crisis in third world states.

Problem Resolution

The debt crisis confronting the third world in the early 1980's opened the door for state officials in the developing world to beginning contemplating the possible adoption of Fund and Bank sponsored structural adjustment programs. The debt crisis had the complex effect of restricting the ability of third world states from meeting both international and domestic obligations. Firstly, third world states were faced the burdensome task of being unable to payoff of previous loans borrowed from various international sources. This in turn led to further constraints to access of international capital. Secondly, as third world states faced restrictions on access to international capital

this in turn produced disastrous effects on the domestic economies of these countries.

Third world states with large state bureaucracies and heavily invested in the economy were unable to meet production goals, which were exacerbated by declining demand in the industrialized countries and also the lack of foreign exchange to import spare parts for machinery. This produced the trickle down effect of governments being unable to pay state workers, coupled with increases in the cost of living due to high inflation rates. To make matters worse governments were limited in their ability to continue providing quality health care and education to the neediest of their population.

Confronted with this dilemma of shrinking resources third world countries, following a state-led development model, were forced to make choices - either to continue along the same path or to seek the assistance from the international financial community comprised of the western industrialized countries. Basically third world decision-makers were presented with the options of either continuing with protectionist policies (nationalization, strict controls on capital movement etc.) which were implemented as a means to achieving industrialization and economic growth, or to pursue a western strategy of adjustment that sought to dismantle nationalistic protectionist policies and open new markets in the developing world.³⁶⁵ By the 1990's, it appeared that the majority of third world states had gravitated toward Fund and Bank programs, which required economic and later on political liberalization.

However, by the 1990's scholar's revisiting the structural adjustment phenomena recognized that all third world states were not uniformly adopting structural adjustment programs. Some states were adopting and faithfully implementing, while others were

modifying or discarding structural adjustment programs. Therefore, the scholarship on structural adjustment in the 1990's shifted its focus and began concentrating on the domestic arena of third world states and the decision-making structure in order to provide answers to these observed variations among third world states. By posing questions, such as, "why do some states chose to adopt structural adjustment programs, while others chose alternative approaches," appeared to suggest to scholars studying this phenomena that implicitly they were indeed asking questions about the decision-making process in third world states from which policy outcomes result. Furthermore, if policy choices were indeed the outcome of the decision-making process, what factors were then responsible for explaining where officials acting on behalf of the state gain their understanding of what policy to pursue?

Within the literature on structural adjustment, much advancement was made in terms of improving our knowledge of how decision-makers in third world countries make policy choices. However, many studies pursuing this line of inquiry stopped short of successfully identifying the actual factors that influence decision-makers at they engage in choosing a policy. Both the neo-liberal³⁶⁶ and neo-Marxist/dependency³⁶⁷ variants of scholarship focusing on the politics of structural adjustment were successful in moving us

³⁶⁵ Ould-Mey, "Global Adjustment: implications for peripheral states," 1994, pp 320-321

³⁶⁶ The most notable and influential works by neo-liberal scholars that proceed beyond the either/or, external/internal approach and employ a multi-factor analysis are Joan Nelson's edited edition Economic Crisis and policy Choice: The Politics of Structural Adjustment in the Third World 1990; and Haggard and Kaufman's edited works The Politics of Economic Adjustment, 1992

³⁶⁷ Notable and influential neo-Marxist/dependency world moving beyond the either/or external/internal approach are Fernando Cardoso, "The Consumption of Dependency theory in the United States," 1977; Cardoso and Faletto, Dependency and Development in Latin America, 1979; Peter Evans, Dependent Development: The Alliance of Multinational Corporations, State and Local Capital in Brazil, 1979; and Kenneth Sharp, Transnational Corporations Versus the State; The Political Economy of the Mexican Auto Industry, 1985.

beyond either/or external/internal explanations as sources that influence the decision-making structure in third world countries. Frustrated by the inability of multi-factor models to produce an agreed upon set of variables that can be utilized and replicated for comparative analysis scholars within these two schools further advanced our knowledge of policy making in third world states by focusing on the state. Within both schools³⁶⁸ the recognition that states, at times, do pursue policies irrespective of particular societal interests, led scholars to infer that a state does have interests and preferences of its own. Specifically this new line of inquiry suggested that officials acting on behalf of states do have interests and preferences of their own. Haggard and Kaufman attempted to investigate where the preferences and interests of state officials originate, and concluded that we must depend on examining the ideological orientation of officials to explain how state officials think, feel and evaluate situations. While, Haggard and Kaufman's work was an improvement on the state centered analysis, in terms of suggesting that the preference and interests of decision-makers is located within the perceptual field, they provided no clear operational method for going about investigating what factors in the perceptual field of the decision-maker might help us to explain why certain policies are chosen.

It is now that the decision-making approaches, embodied in the comparative foreign policy literature, becomes useful in advancing our knowledge of what are the factors that influence decision-makers? Where do their preference and interests emanate

³⁶⁸The neo-liberal scholars closely associated with this line of inquiry are Haggard and Kaufman's edited works **The Politics of Economic Adjustment**, 1992; and Barbara Geddes **Politician Dilemma: Building State Capacity in Latin America**, 1994; "**The Politics of Economic Liberalization**," 1994. The most influential proponent of neo-Marxist/dependency school associated with this argument is Nicos Poulantzas,

from? How do these preferences and interests determine policy outcome? Building on the works of key decision-making approaches,³⁶⁹ Ofuatye-Kodjoe's³⁷⁰ provides us with a framework and a clear operational method for pursuing the above questions.

Extrapolating from Ofuatye-Kodjoe's work we begin to see that national policy is a product of several interrelated factors. The first is that national policy is a product of a policy conversion system in which there are inputs in terms of information from both external and internal sources into the decision-making system and in turn, this information is filtered through the perceptual field (psychological environment) of decision-makers. In other words, decision-makers make decisions or policy choices based on information received from external (conditions and events relevant to national policy existing outside of the state) and internal (conditions and events relevant to national policy existing within the state) sources. Another factor to be considered in national policymaking is how decision-makers perceive or interpret this information filtered to them from external and internal sources. This is based on what they know (think), feel (emotion) and how they appraise events externally and internally. When it comes to actual policymaking decision-makers start with a goal in mind. In other words, they are seeking to achieve certain national objectives. In order to determine which strategy or policy to adopt, decision-makers have to ask themselves what is in our national interests; what actions should be taken both externally and internally in order to achieve our

Political Power and Social Classes, 1973; and **Classes in Contemporary Capitalism**, 1975.

³⁶⁹Notable works employing the decision-making approach are Richard Synder et al., **Foreign Policy Decision-Making: An Approach to the Study of International Politics** 1962; and Michael Brecher et al., **"A Framework for Research on Foreign Policy Behavior,"** 1969

³⁷⁰Ofuatye-Kodjoe, **"Towards a Theoretical Framework for the Research and Analysis of the Foreign Policies of African Countries: A General Framework and Specific Application to Ghana,"** 1985.

national objectives. Another source instrumental to national policy making is the ability of the country's most influential citizens in society to have their interests reflected in national policy. Specifically, the ability of elites to have their material (who ought to be the beneficiaries of national policy) and ideological (how society should be organized politically socially and economically) interests act as a source of decision-makers' perception of national objectives.

Explaining Policy Choices

Apart from Ofuatey-Kodjoe's framework advancing our knowledge of how states arrive at specific policy choices, it also enhances our ability to operationalize and empirically test why third world states chose certain policies when faced with external pressures from the Fund and Bank to adopt structural adjustment programs. Employing a case study analysis of Guyana during its experience with structural adjustment, this study set about the task of investigating the following questions: 1) given the range of potential policy choices, why did the Hoyte administration in 1989 choose to adopt structural adjustment programs? 2) Why did the Jagan administration in 1992, despite its initial opposition to Fund and bank programs acquiesce to structural adjustment programs? 3) What were the sources of these policy choices by the two administrations?

The hypothesis offered suggested that Guyana's adoption of structural adjustment programs was influenced and shaped by the interests of the country's elites. Specifically it was argued that Guyanese decision-makers adopted structural adjustment programs based on their perception of the national interests. The national interests in turn were

determined by the national objectives the state was seeking to pursue. The decision-makers' perception or interpretation of what the country's national objectives were derived based on the ability of the Guyanese elite to have their private interests transformed into the country's national objectives and ultimately reflected in national policy. In order to test this hypothesis a number of steps were taken:

- 1) seeking to find out what were the actual policies adopted by the government;
- 2) who were the key decision-makers during these periods;
- 3) what were the decision-makers' perception of Guyana's national objectives;
- 4) what were the material (who did state officials perceive as being the beneficiaries of national policy) and ideological (how did state officials perceive that society should be organized) sources of decision-makers' perception of Guyana's national objectives;
- 5) what were the capabilities at the state's disposal in order to achieve its national objectives;
- 6) what constraints did they face in trying to achieve the country's national objectives;
- 7) what were their responses to the strategic question;
- 8) what actions did they take both in the international and domestic arena in order to enlist support for Guyana's structural adjustment program;
- 9) what actions did they take to defend Guyana's structural adjustment program from challenges;
- 10) what role did the state play in enlarging the influence of the private sector; and

11) how were the Guyanese elites able to influence the course of national policy in Guyana.

Findings

As chapter 2 demonstrated the Guyana government under the leadership of the Hoyte administration adopted a standard Fund and Bank structural adjustment program. Guyana's version of this program was its Economic Recovery Program (ERP). The nature of the program, with its emphasis on the market, and not the state, directing economic activity transformed the Guyanese economy from a state-led development economy in which the state was considered as the engine of growth and the creator of wealth, to an economy dependent on the market and its agents' private capital to create wealth and facilitate growth. It is evident by the nature of the actual policies adopted such as the liberalization of the domestic pricing regime, in which the government was once responsible for determining prices, but now turned over to market dictates, made it abundantly clear that the private sector and not the state was responsible for directing economic activity. Other aspects of the policy adoption by the Guyanese government, such as the liberalization of the exchange regime combined with the removal of trade restrictions, in which import licenses requirements were dismantled and access to foreign exchange were relaxed, further served to evict the state from directing economic activity. Essentially the private sector and not the state got to decide which goods were to be imported. In the end all of the policies adopted - from the devaluation of the Guyanese dollar, reducing the availability of credit facilities for public entities to the state

rehabilitating the infrastructure - reinforced the idea that state led development had lost its credibility and legitimacy as the economic development model for Guyana.

Equally as important as the economic policy transformation taking place in Guyana was its ability to restructure class benefits. From a material standpoint the economic changes occurring in Guyana in the late 1980's made the capital owning class in Guyana the major beneficiaries of the structural adjustment program, while disadvantaging the working class and the poor. Devaluation while materially enriching the exporting class, providing them with the opportunity to export more commodities and in return gain more foreign currency, placed the majority of the Guyanese population in a position of having to expend more for basic goods. Complicating matters, the working class and the poor faced an unrelenting assault on their standard of living as real wages declined due to wage restraints and increasing price indices. Furthermore, within the Guyanese context the shift in material class benefits were intricately tied to the complexity of race. The emergence of the capital owning class in Guyana as the major beneficiaries of structural adjustment programs also meant that the private sector in Guyana mainly made up of East Indian business owners also emerged as prime beneficiaries. On the other hand, the majority of Afro-Guyanese employed within the state sector suffered from job cutbacks and wage restraints among public sector employees. While it is important to note that not all East Indians in Guyana benefited equally, given that the majority of East Indians reside in rural areas and are poor, objective and subjective factors suggest that the capital owning class in Guyana is primarily East Indian. Therefore, the introduction of structural adjustment in one sense

displaced one racial group and elevated another as the material beneficiaries of the new economic plan.

Moreover, the economic restructuring also fueled the political transformation from authoritarian to democratic rule. The reorganization of the Guyanese economy coincided with the pro-democracy movements emerging in Eastern Europe and supported by the United States as a means of undermining Soviet influence. Despite the Hoyte administration's painstaking efforts to restore Guyana's economic buoyancy through the adoption of structural adjustment programs it could not dismiss the fact that it was perceived in many quarters as an undemocratically elected government prone to use electoral fraud to maintain its power. Guyanese pro-democracy groups utilizing the neo-liberal democratic rhetoric of ties between economic efficiency and democratic government appealed to the international community, specifically the United States to use its influence within international financial institutions to tie economic assistance to political reforms. While the Hoyte administration attempted initially to slow down this process, it was evitable given that the government was dependent on the international community to aid in financing the country's economic recovery. Moreover, by agreeing to liberalize the political space the government by allowing free and fair elections to proceed contributed to its own political demise given its historical association with curtailing political participation through electoral fraud and presiding over a dismal economy for 28 years.

Explaining both the Hoyte administration's decision to embrace structural adjustment policies and the Jagan government's decision to continue these programs.

bearing in mind the PPP party's Marxist-Leninist orientation, is the central purpose of this study. The analysis reveals that on one level the decision-making in Guyana during this period was housed within the domain of a few state officials, specifically those officials who were heads of agencies directly at the forefront of the economic restructuring process. Furthermore, these individuals were chosen not necessarily for their political affiliations and experience, but for their technical expertise and ties to international financial networks. This tends to suggest that those responsible to formulating and articulating Guyana's national economic policy were chosen not for their ideological support of the regime in power but their shared sense of an alternative path for achieving Guyana's national objectives. The decision of both President's Hoyte and Jagan to centralize decision-making during this period within the domain of a core group of individuals also reveals that in order to make tough decisions, that may in the final analysis, run counter to party ideology, political participation in decision-making must be limited.

The nature of the decision-making structure, indicates that state officials responsible for policy formulation and articulation while more prone to adopt market oriented policies, based on their professional background were additionally influenced by the failed economic policies that spurred Guyana's economic crisis. The economic crisis confronting Guyana by 1985 brought decision-makers to the recognition that the most pressing national objective was economic growth and sustainable development, simultaneously promoting growth and increasing the standard of living of the Guyanese population. Therefore, the economic objective as perceived by decision-makers was seen

as seeking to attract foreign capital and technology, increasing Guyana's exports and foreign currency reserve along with being able to import necessary goods. Added to this, decision-makers' political objectives were intricately tied to its economic objectives as they recognized that political survival was depended on restoring economic stability.

In order to achieve Guyana's national objectives both administrations turned to the international financial institutions of the IMF and the World Bank. It was quite clear to decision-makers in both administrations that large infusions of capital were necessary to resuscitate and maintain Guyana's economy. The balance of power shifted in the international system so that the ideas and values of the United States and western European powers influenced international trade, financial and investment exchanges. This meant that Guyana's only alternative for procuring large infusions of capital resided in the hands of western international financial institutions. In the case of the Hoyte administration Guyana's past relations with the Fund and Bank conditioned its decision to first formulate and implement its own "homegrown" version of a structural adjustment program. This decision was taken in order to allay the fears of the IFI's that Guyana was not willing or committed to implementing a structural adjustment program. Similarly the Jagan administration left without any real alternative for pursuing international funding, but from the IFI's, toned down their anti-capitalist rhetoric about these institutions being the representative of western imperialist capitalism. In the final analysis, both governments adopted free market oriented structural adjustment program advocated by the IFI's. However, while the Jagan administration eventually implemented many of policies embodied in the structural adjustment program, the government initially

attempted to employ stalling mechanisms as a way of at least appearing to its constituency that it was not a 'puppet' of western capitalist.

By the time both the PNC and PPP government's made the decision that the best means for achieving both economic and political objectives of growth and sustainable development which was perceived as being intricately tied to political survival of both regimes, decision-makers began to evaluate their sources of cooperation and antagonism. In other words decision-makers had to begin determining which groups, both inside and outside of the state, would be likely to support Guyana's efforts at economic recovery and what capabilities were at the disposal of the state to induce their cooperation. Simultaneously, decision-makers had to take into consideration the mounting challenges emerging among groups opposed to structural adjustment and what capabilities were at the state's disposal to defend against these challenges.

The patterns of support emerging, from the international level, for Guyana's economic recovery program centered among the Fund and Bank along with western governments such as Canada. The support emanating from these groups took the form of not only aid packages but also debt relief. Guyana was in return required to payoff its arrears before gaining access to Fund and Bank resources and to continue making progress towards the liberalization of the economy. By 1990 with its arrears paid off to the Fund and Bank along with receiving favorable debt rescheduling, the government of Guyana finally received an endorsed Fund and Bank structural adjustment package. This further encouraged foreign investors to invest in Guyana as the Fund and Bank endorsement signaled a semblance of economic stability returning. On the part of the

Hoyte administration, the President personally courted individual foreign investors by traveling to various foreign capitals and continued to implement corrective measure towards the liberalization of the Guyanese economy. Probably one of the most important elements shaping foreign investor confidence in the Guyanese economy was the Hoyte administration decision in 1988 to create a new investment policy clearly stipulating that the government did not restrict private investment in an area of the economy.

Additionally investors' fears were allayed by the news that the government had put an end to its nationalization policies. Internally the private sector became a natural ally of the government. A small group of individuals from the private sector, which the government perceived to be the most influential, was given the opportunity to shape national policy by becoming a part of the Presidential Private Sector Advisory Commission (PSAC).

The sources of cooperation during the Jagan period also remained the same, both externally and internally. However, while the patterns of cooperation remained intact during the Jagan administration, foreign and domestic capital practiced "conservative cooperation.' This was demonstrated by a slow down in investment activity in Guyana during this period. Private capital remained skeptical about the PPP's commitment to free market policies given its Marxist-Leninist ideological orientation. Additionally, the PPP's criticisms while in opposition concerning the bankrupt nature of the structural adjustment policies remained a cause of concern for private capital.

In respect to the patterns of opposition emerging during the tenure of both administrations, the working class, primarily the deeply politicized trade union movement

in Guyana, presented major challenges to the government's ability to build a broad based coalition for structural adjustment. Labor unions generally fearful of the erosion of social welfare benefits under the ERP engaged in numerous strikes, demonstrations, and work slow downs. To combat these challenges the Hoyte administration co-opted the trade union closely aligned with the PNC party by hijacking the union's decision-making process replacing members viewed as uncooperative. Secondly, the government utilized such tactics as firing, transferring and arresting state employees. Interestingly by the time the PPP comes to power trade union activism is centered on issues of job security and privatization of the country's key productive sectors of sugar and bauxite. Workers in these industries were at least successful in getting the government to maintain either joint venture (joint ownership between the government and a private investor) as in the case of the bauxite industry, or managerial contracts (where the government owns the company but leases the day to day management out to private capital) as in the case of the sugar industry. Hence, this allowed the government to have some input into whether or not privatization occurred.

As proposed from the inception of this study the material and ideological interests of Guyana's elites are reflected in the policy orientation of the country. During the structural adjustment period the elite attitudes towards who ought to be the beneficiaries of public policy and how society should be organized became a source of Guyanese decision-makers' perception of national objectives and ultimately what strategy was needed to achieve these objectives. The attitudes of the Guyanese elites revealed that national unity was instrumental to economic development and that the

practice of racial politics facilitates the rise of authoritarian governments. As perceived by the Guyanese elites economic development is best achieved through policies that promote growth and economic well-being of citizens along with the promotion of democratic principles. In other words according to the perception of the Guyanese elites the political space should be governed by democratic principles of contestation and the guarantee of civil liberties. The economic space ought to be governed by free market principles. In turn, the promotion of democracy and capitalism is viewed as bringing benefits to all citizens regardless of race or ethnicity. Accordingly, the Guyanese elites view the private sector as the engine of growth in society and not the state. The state is instead viewed as a facilitator of private sector objectives.

These sentiments expressed by the Guyanese elites are highly consistent with the Guyanese political decision-makers' perceptions of the national interests in terms of economic growth and sustainable development along with the recognition that political survival is intricately tied to achieving these objectives. The Guyanese elites were able to have their idea and attitudes concerning how society should be organized along with who should be the beneficiaries of public policy transmitted through the formal and informal networks and influence channels provided by the government, especially during the Hoyte administration period. The complimentary relationship established between the business community and the state, in which the state decision-makers could ascertain from the business community what policies were need to ensure high levels of investment and in turn the business community providing the necessary capital for investment served as the ultimate mechanism for elite interests to be reflected in national policy. While the

visibly formal networks and influence channels held during the Hoyte administration were downplayed during the Jagan administration, the interests of the Guyanese elites continued to be represented in national policy. This was due in part to fact that the restructuring of society along free market economic principles made the private sector and its interests an intricate part of Guyana's economic development success. Hence, there was very little the government could do to thwart the material and ideological interests of the Guyanese elite. Ultimately, the private sector, both national and international, could veto any decision that it felt went against its interests.

Generalizations

There are a number of patterns emerging from this case study of Guyana that may allow us to draw some general conclusions about the decision-making process in third world countries during a period of economic crisis and the type of policies we are likely to see emerge. While the conclusions drawn are based on context-specific empirical data, there is still some insightful information that can be gathered in order to us help us to determine whether decision-makers will adopt faithfully, modify or discard structural adjustment policies advocated by IFI's.

As suggested from the beginning of this study there is a high correlation between the national policy orientation of a country and certain key political, cultural and economic attitudes of that country's elites. The elite attitudes that are relevant to the national policy orientation are based on their preference of the type of political organization of society - authoritarian vs. democratic, type of economic organization of

society - socialism vs. capitalist, and how social relations should be organized elitists vs egalitarian. These attitudes it is suggested become the basis of the perception of decision-makers concerning the needs of the country. Specifically, what needs to be done to maintain or achieve an acceptable material and social order.

Therefore, we begin to see a strong development emerging between elite attitudes and decision-makers' perception of national objectives. Hence, one hypothesis that can be garnered from this relationship is that if there is a strong commitment on the part of elites to a liberal ideology such as a preference for liberal democratic politics, and free market capitalist development then it is likely that the national economic policy orientation of the country will embody a structural adjustment program.

Secondly, another strong indicator of whether a country will adopt structural adjustment programs is based on the nature of decision-making process, in terms of those individuals responsible for decision-making. If state officials chosen to formulate and articulate national policy are selected from government agencies viewed as directly being linked to facilitating the openness of the world economy then we should expect to see the adoption of structural adjustment program. Hence, the selection of state officials from the prime ministerial and presidential offices, foreign offices, treasuries, central banks, trade and finance offices should begin to offer some preliminary insight into whether structural adjustment programs will be adopted.

In conclusion, while this study employed a case study approach with the intention of generating general insights into why third world states may chose to adopt, modify or discard structural adjustment programs, it is also the intention of this research effort to

advance the use of comparative analysis of other such third world country case studies.

Though further research efforts it is likely that we can gather and develop data that advances a comparative approach to the study of the politics of structural adjustment.

Appendices

Appendix 1(a): Interview Schedule / PNC Administration 1985-1992

Section A:

Identification of Key Decision-Makers

- 1) Who were some of the key participants in deciding what was going to be the government's response to IMF/WB demands (within your agency, in other government agencies, in public or parastatal bodies, outside the government)?
- 2) What was decision-making process with regards to the government negotiations with the IMF/WB? How were decisions initiated and terminated; what were the procedures that regulated this process (task force, commissions, teams etc.)?
- 3) What other offices or agencies were part of the decision-making process (other government agencies, Ministries, Cabinet, Central Bank, parastatals, public corporations, representatives of interest groups etc.)?
- 4) What were the sources of recommendations for policy formulation (position papers, reports or memos from other government agencies, submissions from private organizations, pressure groups and private individuals etc.)?
- 5) Name some of the most influential persons and groups in the country.

Section B:

Guyana IMF/World Bank negotiations

Guyanese Officials (policy response)

- 1) What was the position of the IMF/World Bank during the negotiations?
- 2) What was the position of the Guyanese government during the IMF/World Bank negotiations?

Section C: Conceptions of National Interest

National Objectives

1. What were the Governments domestic objectives during this period (Economic obj. acquisition of resources, financial, material, human)? (Political obj.- acquisition and maintenance of influence capability in relation to other actors)? (Security obj.- maintaining social order)?

2. **What do you believe were the sources of help and cooperation (both externally and internally) why?**
3. **What do you believe were the sources of antagonism and conflict (both externally and internally) Why?**
4. **What means did the state have at its disposal for achieving its national objectives (economic, diplomatic-political, military etc.)?**
5. **What measures did the state think were necessary for achieving its national objectives (economic - policies, politically- alliances etc., security - forces on alert etc.)?**

Appendix 1(b): Interview Schedule/ PPP Administration 1992-1997

Identification of Key Decision-Makers

- 1) Who were some of the key participants in deciding what was going to be the governments response to IMF/WB demands once the PPP was elected in 1992 (within your agency, in other government agencies, in public or parastatal bodies, outside the government)?
- 2) What was decision-making process with regards to the government negotiations with the IMF/WB? How were decisions initiated and terminated; what were the procedures that regulated this process (task force, commissions, teams etc.)?
- 3) What other offices or agencies were part of the decision-making process (other government agencies, Ministries, Cabinet, Central Bank, parastatals, public corporations, representatives of interest groups etc.)?
- 4) What were the sources of recommendations for policy formulation (position papers, reports or memos from other government agencies, submissions from private organizations, pressure groups and private individuals etc.)?
- 5) Name some of the most influential persons and groups in the country.

Guyana IMF/World Bank Negotiations 1992-1997

1. What was the position of the IMF/World Bank when the PPP administration came into office?
2. What was the position of the PPP government in relation to IMF/World Bank demands?
3. Given the fact that the PPP openly opposed the ERP while in opposition, why did the government decide to continue with the economic reforms embodied in the ERP?

Section C: Conceptions of National interest

National objectives

1. What were the Governments domestic objectives during this period (Economic obj. Acquisition of resources, financial, material, human)? (Political obj.- acquisition and maintenance of influence capability in relation to other actors)? (Security obj.- maintaining social order)?

2. **What do you believe were the sources of help and cooperation (both externally and internally) why?**
3. **What do you believe were the sources of antagonism and conflict (both externally and internally) Why?**
4. **What means did the state have at its disposal for achieving its national objectives (economic, diplomatic-political, military etc.)?**
5. **What measures did the state think were necessary for achieving its national objectives (economic - policies, politically- alliances etc., security - forces on alert etc.)?**

Appendix 2: Interview Schedule: Attitudes of National Elites

Identification of Elites

1. You have been described as influential. Do you agree?
2. To what do you attribute your influence (official position, wealth, status, expertise, etc.)?
3. Are you currently serving on any commissions, boards organizations...? What is the remit of any of these Commissions, boards, Organization? Do any of these have any special relevance to national economic policy?
4. Name four or five of the most influential people in Guyana. To what do you attribute their influence (official position, wealth, status, expertise, etc.)?
5. Name some of the most influential groups in Guyana. To what do you attribute their influence?

Elite attitudes

National Identity

1. Which aspect of your heritage do you consider most important to you (racial, national, West Indian)?
2. Do you believe that all Guyanese are brothers and sisters? If so, in what way? How important do you think racial differences have become to Guyanese politics? If not, have they ever been important? If yes, how would you like to see this issue resolved?
3. Which type of cultural activities (music, literature, entertainment, sports activities) do you indulge in most often?
4. How would you characterize the period of cooperative-socialism? What were the benefits? What were the drawbacks?
5. In your opinion what was the reason for the Economic Recovery Program (ERP)? Was the reason valid?
6. Has the ERP been beneficial to all Guyanese? If so in what way?

Political, Social and Economic Attitudes

1. What do you consider the most pressing problem facing Guyana today?
2. What does the term 'economic development' mean to you? How would you like to see Guyana develop?
3. Who do you think should play the most significant role in economic development (the government, private individuals, foreign groups)?
4. What does the term 'liberalization' mean to you? Would you like to see Guyana achieve this?
 1. If yes how? If not why not?
5. Do you think the masses should be allowed to participate in making political decisions? Do you think they are competent to make political decisions? Who are the masses?
6. Do you think the gap between rich and poor in Guyana is increasing? If yes when and why? Do you think there are social barriers in Guyana?
7. Do you think the government should make an effort to eliminate social barriers and close the gap between rich and poor? If yes how?

Images of opportunities and constraints (internally and externally)

1. In your opinion what is the relevance of 'globalization' to Guyana's economic development?
2. Do you think the past (PNC) and the present (PPP) government policies under the ERP have been more favorable to foreign investors at the expense of domestic investors or vice versa? If so why?
3. What should be Guyana's policy position on the following issue areas: Investment? Trade? And Finance? What do you think of the Government's present policy position on these matters?
4. Which of the regional trading blocs do you think Guyana should be closely associated with (CBI, CARICOM, ECLA (Economic Commission for Latin America and the Caribbean) SELA (Latin American Economic System)?

5. How important a role should the IMF and the World Bank play in the formulation and implementation of national policy? Do their roles undermine national sovereignty? IS their intervention necessary in national policy making?
6. What is your assessment of the ERP under the Hoyte administration? Do you think the PNC government under Hoyte explored all alternatives to ensuring Guyana's political and economic recovery? If so, in what way?
7. What is your assessment of the progress made by the PPP so far under the ERP?

National Capabilities

1. How influential is the state in directing Guyana's recovery?
2. What are the sources of the state's influence, if any?
3. How can the influence of the state be increased?
4. Should more external resources be devoted to increase the internal capabilities of the state?

Appendix 3: Biographical Information

1. Name: _____
2. Date of Birth: _____
3. Place of Birth: _____
4. Address: _____

5. Occupation: _____
6. Gender: _____
7. Race: _____
8. Average monthly income (G\$ 50,000 and under, 50,000-70,000, 70,000-90,000, 90,000-111,000, 111,000 and more)? _____
9. Highest Level of Education (high-school, undergraduate, masters, or above)?

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