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Guyana: The IMF-World Bank Group and the General crisis

INTRODUCTION

In recent years the government of Guyana and the IMF-World Bank Group have been involved in many efforts to bring to a halt what has been termed, on several occasions, by both parties as the country's 'very serious financial and balance of payments crisis'. Because of their far-reaching significance for understanding both under development and Third World-IMF-World Bank Group involvements, this study explores a number of the features of the relationship between the two parties and the crisis in Guyana.[1] The first two sections introduce Guyana in a political economy context. This is followed by an analysis of the 'crisis' and the policy responses to it. The process of generalisation of the crisis is then analysed and some concluding remarks will end this paper.

COLONIAL CONTEXT

At the time of its independence in 1966, the dominant structural relations in the economy of Guyana, and the social form through which those were systematically reproduced, portrayed many of the classic features of under-development-dependency relations. In addition to its small size and a racially mixed population, principally made up of descendants of African slaves and Indian indentured immigrants, the following summarises the major aspects of the economy at that time.[2]

(i) A predominance of primary producing economic structures, mainly rural, with agriculture resources organised within a backward agrarian system, cultivating crops principally for export to overseas metropolitan markets. The principal commodities produced were sugar, rice and bauxite alumina. Except for a small fraction of sugar cane cultivation (less than 10 per cent), sugar was grown and processed by two foreign owned plantations. Sugar was the dominant crop, accounting for the largest share of value added, employment, foreign exchange earnings, capital accumulation, crop land and agricultural infrastructural resources. Rice, which was initially cultivated as a domestic staple, had grown into a significant export cash crop, with most of the sales taking place in the Caribbean market. Rice cultivation was not however, a significant competitor to sugar for agricultural resources. Indeed the industry was developed as a complement to sugar under the patronage of both the colonial state and the plantations. Bauxite-alumina production took place in two enclave mining areas under the control of two aluminium producing Transnational Corporations (TNCs) (Alcan based in Canada and Reynolds based in the USA). The bulk of production (80 per cent) was under the control of the Canadian corporation.

(ii) The dominance of foreign ownership and control of the country's productive assets was paralleled by the dominant role of foreign financing of 'development', foreign control of technology, extensive reliance on foreign trade with the countries from which the external owners and controllers of the productive assets originated (UK and North America), a decisive role for the foreign element in economic decision making, and foreign control of the financial mechanisms. All these facilitated the heavy drain overseas of the surpluses internally appropriated within these economic structures.

(iii) Export specialisation in primary products (55 per cent of GDP), was complemented by extensive dependence on the importation of foodstuffs (although the economy was principally agricultural); intermediate goods (particularly oil and fertilisers); and capital equipment. In addition, the export sector itself relied heavily on imported inputs of fuel, fertilizers, agricultural chemicals, machinery, spare parts and accessories, capital/construction equipment and even working capital loans. These highlighted the lack of internal differentiation of the economy and the absence of any significant backward and forward inter-industrial linkages.

(iv) The local private sector was relatively small and confined to agriculture (mainly rice, ground provisions, vegetables and fruit), local trading, minor manufacturing activities, forestry, and some services *e.g.* hotels and entertainment.

(v) Spatially, much of the economic activity was confined to the coastal plain (less than 10 per cent of the total land area), where 90 per cent of the population lived. The only hinterland activity of importance was bauxite-alumina mining. There were also some gold and diamond prospecting, forestry, and extensive cattle ranching activities. The coastal area is below sea level to the north and threatened by floods generated by tropical rains in the southern intermediate hilly sand areas. This requires a complex network of drainage and irrigation facilities before agriculture can take place. Thus, it is estimated that there is 50 square miles of assorted waterways for each square mile of sugar cane cultivation.

(vi) As it was organised, the economy was unable to provide enough jobs for the available workforce. While accurate data are hard to come by, it is not an over estimate to say that about one-quarter of the workforce was then unemployed, while a large proportion of the employed were under-employed. For example, the sugar workers worked only seasonally.

(vii) In view of the above the economy displayed widespread signs of poverty: poor housing, underdeveloped medical services, inadequate educational services, backward communications facilities and a dearth of recreational facilities.

At certain periods in her colonial history these structures have yielded impressive growth rates of per capita product, but because internal accumulation has been profit-oriented and heavily dependent on world market conditions, these have been subject to considerable secular, as well as cylical fluctuations. While one might be tempted to say that these starkly dependent economic structures mirrored the colonial status of the country at the time, as we shall observe, a decade and half after independence these structural relations remain essentially the same.

The system of economic reproduction into which these structures are integrated cannot, of course, be properly understood in isolation from the emergence on a world-scale of the group of countries which has been aptly described as *underdeveloped,* as distinct from *undeveloped,* as might have been the condition of Europe before the development of capitalism. In this context therefore, underdevelopment specifically refers to the long historical process by which the capitalist mode of production, was internationalised after the sixteenth century. In Guyana, this process resulted in the development of two important sets of divergences in the system of reproduction of the material conditions of social life.

The first of these is the historical divergence between the pattern of resource use and the demand structure as it has existed, and as it is likely to continue to develop as commodity relations become more generalised and entrenched in the national economy. The reason for this is that European conquest and settlement of the country resulted first in the overthrow of the communal and other pre-capitalist relations which dominated and thereafter systematically garnered domestic resources for the servicing of overseas markets in Europe and elsewhere. The development of tropical agriculture under slavery, enclave mineral production for export *etc.*, all reflect this orientation. The consequence of this is that local demand has been (and continues to be) by and large satisfied by imports. The export sector, as already noted, and become highly specialised in the production of a small number of commodities, confining the sale of its output to one or two major capitalist markets.

The second divergence is that as commodity relations have developed, ability to purchase in the market became the principal determinant of consumption. Given the widespread unemployment and poverty which prevailed, the result has been that ever since colonialisation, the needs of the broad masses of the population have not influenced production in any significant way. Except for residual subsistence sectors, commodities available from both local production and imports are allocated on the basis of purchasing power.

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COOPERATIVE SOCIALISM AND STATISTATION OF THE ECONOMY

Immediately after independence in 1966, the government moved to open the economy, even further, to transnational enterprise. A number of now familiar fiscal and other material incentives as well as forms of capital subsidisation were offered as inducements. It was during this period for example, that the two transnational banks (one British and one Canadian) which had up till then serviced the commercial banking sector was expanded to five (one US, one Indian and another Canadian). This period was, however, short-lived, for under pressure of a number of circumstances both internal and external, a sharp reversal of this policy occurred in 1970, when the government announced its 'socialist' objectives and Guyana was declared a Cooperative Republic. While space precludes any attempt at an analysis of the absorbing factors giving rise to this new orientation of the state, it is important for the purposes of the analysis to be clear on the main claims for, and content of, the new policy of cooperative socialism.

As pointed out elsewhere, there have been four major planks to the government's programme of cooperative socialism. First, there was the expansion of state property over the 'commanding heights' of the economy, *via* a programme of nationalisation of foreign property. The two bauxite TNCs were nationalised in 1971 (Alcan, Canada) and 1975 (Reynolds, USA); while the two sugar TNCs were nationalised in 1975 (Jessels Securities Limited, UK) and 1976 (Booker McConnell Limited UK). In addition, the role of the state was rapidly expanded into import trades, financial services, retail and distribution, wholesaling, manufacturing, transport, communications, forestry and fishing. By 1976, the government boasted that it 'owned and/or controlled 80 per cent of the national economy'. Significantly, the government has pointed out, and continues to do so, that no enterprise established *after* independence has been or will be nationalised.

Significantly also, the pattern of nationalisation which was followed has been aptly described as of the 'mortgage-finance type'. This meant firstly, that a generous commercial

're-purchase' of Guyana's assets was negotiated (there is not a single instance of any TNC expressing dissatisfaction with the final terms of 'compensation' in these nationalisations). Indeed, as shown elsewhere, in the case of the sugar companies, both nationalisations followed after the companies themselves had initiated offers to 'sell' their assets to the government, because of financial difficulties they were encountering at the time in the UK.[4] Secondly, such re-purchase converted domestic assets into a national foreign debt, denominated in a foreign currency, thereby placing a charge against future foreign exchange earnings. Thirdly, while the various nationalisation agreements stipulated that compensations would only be paid out of 'profits', this has remained a dead letter clause for the reason that the continued dependence of the state enterprises on international markets for working capital, sales, spare parts and machinery *etc.* made the nationalisation payments essential. Finally, as in the typical Third World case, these agreements have all carried contractual obligations with regard to technology, the purchase of equipment and supplies, management and marketing of the products.

The second major feature of cooperative socialism is its incorporation of a declaration by the government of a 'basic needs' orientation in development policies. This, it was claimed, would substitute the 'private profit' motive with the social goal of making 'the small man a real man'. This programme was embodied in the *1972-76 Development Programme* which promised to *feed, clothe and house* the nation by 1976. As will be seen, the actual course of production and the orientation of public policy during the crisis have borne little or no relation to these objectives.

The third feature of cooperative socialism is that given a trisectoral national economic structure (private, state and cooperative), the cooperative sector should be made dominant. It is through cooperative ownership that the socialist foundation of the society was to be laid.

However, the cooperative sector has been and still remains a very miniscule part of the national economy. Worse, even those institutions which are designated as cooperative are not, in fact, operating on anything closely resembling co-operative principles. Thus, institutions founded by the state and termed cooperative (*e.g.* the Guyana National Cooperative Bank) operate on ordinary commercial banking principles. Many of the economically significant cooperatives formed through private initiative operate on openly capitalistic principles as many of these employ wage labour. Membership often does not lead to automatic enfranchisement and the 'owners' of the cooperatives often proceed to accumulate on the basis of exploited wage labour. The attraction here is the tax concessions offered to cooperatives as distinct from private corporations. Furthermore, many cooperatives are formed for limited commercial objectives. Thus, a land cooperative may be formed in order to obtain a grant of land from the state, and after this is obtained the land is then subdivided and exploited on an individual basis. As the management of the state has become more and more partisan, so only selected political strata benefit from these manipulations.

The fourth feature of cooperative socialism is its claim that as part of 'socialist doctrine', the ruling party (Burnham's Peoples National Congress) is to be paramount over all other parties and the state itself. In a multi-party, multi-ethnic political situation, and in so far as the government did not come to power (1964) either on the basis of free and fair elections or as the specific result of a popular social revolution, this, in effect, constitutes a very thinly disguised proclamation of a 'dictatorship'. Particularly, many would argue, as even at the height of its popularity, the government was always holding only a minority of support in the country. In other words, from before independence and ever since, the government has always been struggling to ensure its legitimacy. The policy of 'paramountcy' was enshrined in the creation of a new government department, the Ministry of National Development and Office of the General Secretary of the Peoples National Congress (PNC). As the name suggests, the PNC party office was merged into a government department and, henceforth, was to be financed out of public funds. The trail of rigged elections and constitutional abuses, (1973, 1978, and 1980) has been documented in a number of other places and needs no elaboration here.[5]

The period covered by the major nationalisations (1970-75) and the initial development of the programme of co-operative socialism, witnessed a phenomenal boom in commodity prices, particularly sugar prices. As Table 1 shows, the export price of sugar more than quadrupled between 1973 and 1975, while the price of rice almost doubled in the same period. The increases in the export prices of alumina, dried and calcined bauxite, although not as large, were, nevertheless, quite substantial. This boom in commodity prices produced a rapid growth of real export earnings (3.3 per cent); gross national income (7.9 per cent); gross national product (5.2 per cent); per capita national product (6.1 per cent); all for the period 1970-75 and measured as the compound annual growth in constant prices. Consumption growth in real terms was also very high for the period (5.1 per cent); This is shown in Table 2.

The windfall foreign exchange earnings of this period masked certain critical developments in the economy. First, the mortgage-finance characteristic of the nationalisations and the foreign debt burden this entailed was easily swamped by the bonanza foreign exchange earnings. Second, state property had not simply expanded rapidly, but more importantly in an erratic and largely unplanned manner. This intensified the difficulties of management in the transitional phase. For example, the fact that the nationalisation of the bauxite-alumina industry made Guyana the only 'independent' producer in an industry dominated by an oligopolistic and vertically integrated transnational structure, did not seem to inform the strategy of marketing pursued after nationalisation. As a result the industry's major advantage, its near monopoly of calcined grade bauxite ore (it produced 90 per cent of the world's total) was not exploited and may have in fact been lost to rising competitors, particularly China. The effect of this can be seen in the selected output/revenue yield figures for the bauxite industry in Guyana, Jamaica and Surimane presented in Table 3. From that table it can be seen that the yield of revenue in Guyana for the period 1974-81

TABLE 1: UNIT VALUES OF MAJOR EXPORTS

Year	Sugar: Unit Values ($ per long ton)	Alumina Unit Values ($ per long ton)	Dried Metal Grade Buaxite: Unit Values ($ per long ton)	Calcined Buaxite: Unit Values ($ per long ton)	Rice: Unit Values ($ per long ton)
1970	261.2	143.2	19.0	68.8	309.9
1971	273.6	134.2	19.5	81.1	313.8
1972	339.3	112.2	19.3	100.1	360.7
1973	337.0	125.6	19.4	114.6	520.8
1974	941.7	157.3	20.6	164.0	960.7
1975	1,449.4	211.6	30.4	211.3	1,034.1
1976	871.0	243.0	40.8	260.7	1,036.6
1977	894.0	298.5	46.7	305.2	1,013.6
1978	835.4	327.4	48.5	349.1	916.0
1979	875.0	370.3	54.2	402.5	965.3
1980	1,239.8	492.5	62.7	515.1	1,100.6
1981	1,130.4	614.3	78.5	527.3	1,410.3

Source: Government of Guyana Statistics

TABLE 2: RATE OF GROWTH OF SELECTED INDICATORS (COMPOUND GROWTH RATE, % PER ANNUM)

Indicator	1970-1975	1975-1980	1970-1980	1981 (est
Gross National Income	7.9	– 4.2	1.7	– 8.0
GNP at Market Prices	5.2	– 0.6	2.3	– 3.1
GDP at Market Prices	3.9	– 0.5	1.7	– 7.9
Gross Domestic Investment	10.6	–11.0	–0.8	16.5
Consumption	5.1	– 1.3	1.9	– 4.2
Gross National Savings	19.1	–13.5	2.8	–80.3
Exports of Goods and Non-Factor Services	3.3	– 7.1	–3.6	–11.7
Imports of Goods and Non-Factor Services	3.1	– 7.2	–2.2	5.3
GNY Per Capita	6.1	– 4.7	0.6	– 8.4

Sources: Government of Guyana, IMF and World Bank Statistics.

TABLE 3: BAUXITE OUTPUT AND GOVERNMENT REVENUES

	Guyana		Jamaica		Suriname	
	Output (million tons)[1]	Revenues ($USm)	Output (million tons)	Revenues ($USm)	Output (million tons)	Revenues ($USm)
1974	3.6	12	15.3	144	7.2	14
1975	3.8	18	11.4	161	5.4	81
1976	3.1	18	10.3	88	4.8	45
1977	3.3	16	11.4	121	5.0	62
1978	3.5	13	11.7	187	5.2	77
1979	3.3	9	11.5	132	4.8	75
1980	3.1	3	12.1	129	5.0	81
1974-80	23.8	89	83.8	961	37.5	435

Note 1: Dried bauxite equivalent.

Sources: Government of Guyana, Statistics, Consultant's Estimates and World Bank Statistics.

TABLE 4: TERMS OF TRADE INDEX (1970 = 100)

Year	Index
1970	100.0
1971	99.3
1972	95.6
1973	89.5
1974	107.6
1975	131.9
1976	103.3
1977	102.0
1978	95.1
1979	86.9
1980	93.2
1981	85.8

Sources: Government of Guyana, IMF, and World Bank Statistics.

was US$3.7 per ton as compared with US$11.5 per ton in Jamaica and US$11.6 per ton in Suriname.

The third factor which was hidden was that the boom in sugar, bauxite and rice prices reflected a general world-wide inflation of all prices. Of particular concern was the rise in price of oil products and of manufactured goods imported into Guyana. Although oil prices quadrupled over this period, export prices were sufficiently bouyant as to maintain the terms of trade in Guyana's favour. The data in Table 4 reveal this improvement of nearly one-third, between 1970 and 1975.

Finally, inflation, which in later years was to become critical was already underway, the cost of living having risen by nearly 50 percentage points between 1970-75. The bouyant incomes of the period masked the social effects of this inflation of prices. The index of consumer prices 1970-1981 is shown in Table 5.

TABLE 5: CONSUMER PRICES, 1970-1981[1] (1970 = 100)

Year	Index
1970	100
1971	101.7
1972	106.7
1973	117.2
1974	140.3
1975	148.7
1976	161.7
1977	179.1
1978	214.0
1979	247.4
1980	279.1
1981	340.8

Note 1: Average during the period.
Source: Statistical Bureau.

CRISIS: WHAT SORT?

By 1976, the extraordinary boom in commodity prices, particularly for sugar, was at an end and crisis conditions have ever since dominated the economic and social life of the country. A crisis of this length, pervasiveness and duration, coming as it were on top of the basic features of underdevelopment and dependency which characterise the society, can, by no stretch of the imagination, be categorised as another 'temporary interruption' in the course of accumulation in Guyana, or even more simply as just a balance of payments or financial crisis, no matter what the severity. The dimensions of the crisis will now be explored, but first, the statistical profile of the economy's performance will be revealed.

By the end of 1981, real per capita income in Guyana was lower than that of 1970 and 30 per cent below that of 1975. As the data in Table 2 show, gross national income in constant prices declined at the compound annual rate of minus 4.2 per cent between 1975 and 1980, and fell by minus 8 per cent in 1981. Gross investment declined by minus 11 per cent between 1975 and 1980, while consumption also declined by minus 1.3 per cent over the same period. Exports of goods and services fell by minus 7 per cent over the period and gross national savings also performed negatively (−13.5 per cent.) Although imports fell by minus 7.2 per cent, the resource gap/GDP ratio widened from minus 1.9 per cent over the period 1971-75 to minus 12.0 per cent between 1976-80 and to minus 23.1 per cent in 1981. These data as well as ratio of resource gap/gross domestic income (GDY), including the terms of trade effect are shown in Table 6. The data in this table also show the current account deficit of the balance of payments widening from minus 7.1 per cent of GNP in 1971-75 to minus 19.1 per cent in 1976-80. In 1981, this ratio was minus 35.4 per cent. General balance of payments data for Guyana are presented in Table 7.

The decline in international reserves was marked over the period as can be seen in Table 8. Net international reserves peaked at $184.5 million in 1975, but steadily worsened thereafter. In 1981, the total was almost minus $500 million. Gross international reserves which represented 3.2 months of imports in 1975 and averaged 2.1 months for the period 1970-75, represented less than a week's imports in 1981 and averaged 0.8 months for the period 1976-81 (See Table 9.) The growth of external indebtedness is presented in Tables 9, 10 and 11. Disbursed debt, including outstanding debt, more than doubled from US$292 million in 1975 to US$636 in 1981 (See Table 10). The total of all debt (disbursed and undisbursed) had also doubled rising from US$399.1 million to US$852.6 million between 1975 and 1981. The increasing rôle of non-commercial debt in the composition of the external debt is recorded in Table 10 and 11. Commercial debt peaked at 45 per cent of the total in 1975, but by 1981 this was down to 23 per cent of the total debt, including undisbursed debt. Also revealed in these tables is the burden of the nationalisation debts, which at their peak in 1976, represented about 25 per cent of disbursed debt. The course of the interest burden on external debt by category of creditor, is shown in Table 11.

TABLE 6: RESOURCE GAP AND CURRENT ACCOUNT DEFICIT RATIOS

Period	Resource Gap/ GDP Ratio	Resource Gap/ GDY Ratio (incl. terms of trade effect)	Current Accou[nt]/ GNP Ratio
1971-1975	−1.9	−1.9	−7.1
1976-1980	−12.0	−13.0	−19.1
1971-1980	−8.2	−9.1	−14.5
1981	−23.1	−22.2	−35.4

Source: Government of Guyana, IMF and World Bank Statistics.

TABLE 8: SELECTED MONETARY DATA, 1970-1981
($m)

Period at end of	Net International Reserves	Money Supply		Bank Credit to Public Sector		Bank Credit to Private Sector	
		Total	% Change on Previous Year	Total	% Change on Previous Year	Total	% Change on Previous Year
1970	54.6	165.0	7	55.8	16	81.4	19
1971	67.3	192.5	17	72.2	29	85.5	5
1972	89.7	231.2	20	101.1	40	86.3	0.6
1973	41.7	274.1	19	178.3	77	102.9	19
1974	105.3	317.9	16	151.8	−15	107.1	4
1975	184.5	449.4	41	251.0	65	118.6	11
1976	−55.0	491.5	9	473.0	88	121.1	2
1977	−111.1	603.1	23	657.3	39	113.4	−6
1978	−80.2	666.9	11	737.8	12	122.8	8
1979	204.2	713.3	7	967.8	31	164.1	34
1980	−420.7	850.4	20	1,280.7	32	196.6	20
1981	−498.6	997.2	17	1,569.1	23	262.9	34

TABLE 7: BALANCE OF PAYMENTS
(G$m)

Item	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
CURRENT ACCOUNT													
A. Merchandise													
Imports of goods, c.i.f.	−235.8	−268.2	−267.6	−29.9	−372.5	−567.0	−810.6	−927.4	−804.3	−711.1	−810.1	−1010.0	−1237.0
Exports of goods, f.o.b.	+252.9	+264.8	+290.9	+299.8	+288.1	+600.0	+854.4	+711.3	+661.2	+753.8	+746.4	992.0	972.0
Merchandise Trade Balance	+17.1	−3.4	+23.3	+1.9	−84.4	+33.0	+43.8	−216.1	−143.1	+42.7	−63.7	−18.0	−265.0
B. Services													
Imports	−84.5	−83.6	−80.2	−69.3	−84.0	−95.0	−130.0	−167.4	−144.0	−138.8	−196.7	−334.0	−323.0
Investment Income[2]	−45.0	−44.6	−38.0	−25.0	−30.0	−43.0	−49.0	−63.0	−63.0	−50.3	−77.2	−85.0	−153.0
Insurance (Non-merchandise)	−14.1	−12.6	−13.0	−11.0	−10.0	−13.0	−14.0	−11.6	−11.0	−10.0	−12.0	−23.0	−12.0
Travel and Transportation	−11.8	−11.4	−14.3	−18.3	−27.1	−18.0	−30.0	−41.6	−31.7	−37.2	−44.6	−57.0	−61.0
Other[3]	−13.6	−15.0	−14.9	−15.0	−16.9	−21.0	−37.0	−51.2	−38.3	−61.3	−62.9	−169.0	−97.0
Exports	+42.4	+39.6	+42.1	+43.8	+45.0	+50.0	+60.0	+48.2	+46.0	+40.3	+51.3	+54.0	+61.0
Investment Income	+3.2	+2.1	+2.0	+3.0	+3.0	+5.0	+9.0	+4.0	−2.7	−6.0	+4.0	+4.0	−8.0
Insurance (Non-merchandise)	+8.4	+6.8	+7.0	+7.3	+7.5	+8.2	+9.0	+6.6	+6.4	+5.0	+5.5	+18.0	+30.0
Travel and Transportation	+10.7	+12.9	+12.9	+13.4	+13.5	+14.0	+15.0	+14.0	+17.0	+17.3	+18.2	+8.0	+8.0
Other[3]	+20.1	+17.8	+20.2	+21.1	+21.0	+22.8	+27.0	+23.6	+25.3	+24.0	+23.6	+23.0	+30.0
Balance on Goods & Services	−25.0	−47.4	−14.8	−23.6	−123.4	−12.0	−26.2	−335.3	−241.1	−55.8	−209.1	−298.0	−527.0
C. Transfers[4]	+2.6	+0.7	+1.6	+1.0	−0.0	−5.0	−9.0	−15.5	−10.0	−16.5	+1.0	−2.0	+5.0
Balance on Current Account	−22.4	−46.7	−13.2	−22.6	−123.4	−17.0	−35.2	−350.8	−251.1	−72.3	−208.0	−300.0	−522.0
A. Non-Monetary Sector													
Official Capital Receipts (Net)[5]	+11.7	+21.7	+32.1	+24.4	+53.0	+57.5	+102.2	+176.6	+84.7	+102.7	+74.2	+106.0	+382.0
Direct Investment	+17.4	+17.9	−3.6	+5.2	+17.6	+18.0	+4.0	−3.9	+3.0	+0.97	+1.5	+1.0	–
Other Private Long Term	−2.0	−0.5	+14.6	+5.1	+10.0	+2.4	+7.5	−19.6	−15.0	+17.3	+9.9	–	–
Other Private Short Term	+8.1	−3.6	−4.8	+1.0	+2.4	+14.7	−4.5	−4.8	−5.0	−3.7	+3.8	–	–
Change in Arrears	–	–	–	–	–	–	–	–	+102.0	−20.0	+12.2	+6.2	+62.3
Balance on Non-Monetary Capital Account	+19.0	+35.5	+38.3	+35.7	+63.0	+92.6	+109.2	+148.3	+169.7	+97.2	+101.6	+113.2	+444.3
B. Monetary Movements													
Government	−1.8	−0.6	−1.0	−2.0	−5.0	+6.7	−2.0	−6.0	+18.0	+6.0	–	–	–
Post Office Savings Bank	(–)	(+2.4)	(−1.0)	(−0.3)	(+2.4	(+1.1)	(–)	(–)	(–)	(–)	(–)	(–)	(–)
Other	(−1.8)	(−3.0)	(−2.0)	(−1.7)	(+5.6)	(−2.0)	(–)	(–)	(–)	(–)	(–)	(–)	(–)
Banking System[6]	+9.3	+2.7	−11.7	−20.4	+42.9	−70.3	−90.3	+237.3	+56.4	−30.9	(+123.5)	+214.8	+86.2
Central Banks	(+5.7)	(+0.8)	(−11.7)	(−20.7)	(+54.0)	(−76.2)	(−82.8)	(+235.1)	(−46.0)	(−41.0)	(+123.2)	(+220.2)	(+64.8)
Commercial Banks	(+3.6)	(+1.9)	(–)	(+0.3)	(−11.1)	(+5.9)	(−7.5)	(+2.2)	(+10.4)	(+10.1)	(+0.3)	(−5.4)	(+21.4)
Balance on Monetary Movements	+7.5	+2.1	−12.7	−22.4	+47.9	−63.6	−92.3	+231.3	+74.4	−24.9	+123.5	(–)	(–)
Net Errors and Omissions[7]	−4.1	+9.1	−12.4	+9.3	+12.5	−12.0	+18.3	−28.8	+7.0	(–)	−17.0	−28.0	+8.5

Notes:

1. The 1979 through 1980 figures, especially those in relation to the capital account, are subject to revision.
2. Includes net interest payments on government external debt and foreign securities and net outflows of earnings of private companies.
3. Includes agency fees and commissions, government subscriptions to international organisations, payments for other diplomatic services.
4. Net payments and receipts unaccompanied by movements in goods and services.
5. Inclusive from 1969 on loan receipts by government corporations on government guarantee, but excluding nationalisation payments to government.
6. Changes in net foreign assets of the banking system.

Source: Bank of Guyana, *Annual Reports.*

TABLE 10: GUYANA – EXTERNAL PUBLIC DEBT BY TYPE OF CREDITOR, 1972-81
(US$m)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Total Debt (incl. Undisbursed)	223.6	253.9	347.7	399.1	457.3	483.0	655.8	714.3	743.0	852.6
Commercial	68.9	82.5	113.5	151.4	207.1	209.4	197.8	215.9	223.5	197.9
Suppliers Credits	–	2.3	2.8	12.6	28.8	29.2	27.9	25.5	32.3	23.7
Financial Institutions	–	14.3	35.3	59.1	82.9	85.9	79.4	103.0	108.6	101.6
Bonds	16.2	14.1	14.3	12.3	10.3	11.6	12.3	13.5	14.5	11.6
Nationalisation	52.7	51.8	60.8	67.4	85.1	82.7	78.2	73.9	68.1	61.0
Non-Commercial	154.8	171.4	234.6	247.6	250.2	273.6	458.0	498.4	519.5	654.7
Multilateral	22.9	28.9	41.4	53.2	53.1	59.4	167.9	198.9	215.7	302.2
Bilateral	131.9	142.5	193.2	194.4	197.1	214.2	290.1	299.5	303.8	352.5
Per cent of Total										
Commercial	31	32	33	38	45	43	30	30	30	23
Non-Commercial	69	68	67	62	55	57	70	70	70	77
Disbursed Debt	150.8	165.8	205.4	292.2	361.5	400.5	434.9	493.7	545.4	635.7
Commercial	68.9	78.4	90.8	136.4	184.1	199.8	194.3	208.7	216.5	187.6
Suppliers Credit	–	–	2.0	9.0	17.4	25.8	27.8	24.3	30.4	23.2
Financial Institutions	–	12.5	13.7	47.7	71.3	79.7	76.0	97.0	103.5	91.8
Bonds	16.2	14.1	14.3	12.3	10.3	11.6	12.3	13.5	14.5	11.6
Nationalisation	52.7	51.8	60.8	67.4	85.1	82.7	78.2	73.9	68.1	61.0
Non-Commercial	82.0	87.5	114.5	155.8	177.4	200.7	240.6	285.0	328.9	448.1
Multilateral	4.8	8.7	14.3	20.0	23.7	29.6	43.2	72.2	105.6	167.9
Bilateral	77.2	78.8	100.5	135.8	153.7	171.1	197.4	212.8	223.3	280.2
Per cent of Total										
Commercial	46	47	44	47	51	50	45	42	40	30
Non-Commercial	54	53	56	53	49	50	55	58	60	70

Sources: Government of Guyana, IBRD and IMF Statistics.

TABLE 9: GUYANA – SELECTED EXTERNAL DEBT INDICATORS, 1970-81
(%)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
DOD/XGS (%)	52.9	89.6	91.4	104.9	70.1	77.3	122.9	143.5	138.5	158.7	133.3	173.2
DOD/GNP (%)	32.3	55.7	54.6	57.6	50.6	59.6	85.6	96.5	91.6	100.5	97.6	113.3
TDS/XGS (%)	3.3	2.7	5.2	6.6	4.5	4.3	11.2	11.5	15.7	29.1	16.9	20.2
TDS/GNP (%)	2.0	1.7	3.1	3.6	3.3	3.3	7.8	7.7	10.4	18.4	12.3	13.2
INT/XGS (%)	2.1	1.9	3.6	3.5	2.8	2.6	6.7	5.4	5.4	7.9	6.4	9.7
INT/GNP (%)	1.3	1.2	2.1	1.9	2.0	2.0	4.6	3.7	3.6	5.0	4.7	6.3
RES/DOD (%)	25.5	17.6	24.4	8.4	29.5	34.4	75.5	57.4	13.4	3.5	2.3	1.1
RES/MGS (months)	1.6	2.0	2.6	0.8	2.6	3.2	0.8	0.8	2.2	0.6	0.3	0.2
US$ million												
DOD	80	149	151	166	205	292	361	400	435	494	545	636
GNP	247	267	276	288	406	490	422	415	475	491	559	561
XGS	151	166	165	158	293	378	294	279	314	311	477	510
MGS	153	156		209	285	378	405	348	314	365	477	510
RES	20.4	26.2	36.8	14.0	62.6	100.5	27.3	23.0	58.3	17.5	12.7	6.9
Average Exchange Rage (US$1 = G$)	2.000	1.981	2.087	2.127	2.229	2.355	2.550	2.550	2.550	2.550	2.550	2.813

DOD = Disbursed and Outstanding Debt (end-year).
TDS = Public Debt Service Payments.
INT = Public Debt Interest Payments.
GNP = Gross National Product.

XGS = Exports of Goods and Non-Factor Services.
MGS = Imports of Goods and Non-Factor Services.
RES = Gross International Reserves, excl. gold (end-year).

Sources: Government of Guyana, IBRD and IMF Statistics.

TABLE 9: GUYANA – SELECTED EXTERNAL DEBT INDICATORS, 1970-81
(%)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
DOD/XGS (%)	52.9	89.6	91.4	104.9	70.1	77.3	122.9	143.5	138.5	158.7	133.3	173.2
DOD/GNP (%)	32.3	55.7	54.6	57.6	50.6	59.6	85.6	96.5	91.6	100.5	97.6	113.3
PDS/XGS (%)	3.3	2.7	5.2	6.6	4.5	4.3	11.2	11.5	15.7	29.1	16.9	20.2
PDS/GNP (%)	2.0	1.7	3.1	3.6	3.3	3.3	7.8	7.7	10.4	18.4	12.3	13.2
INT/XGS (%)	2.1	1.9	3.6	3.5	2.8	2.6	6.7	5.4	5.4	7.9	6.4	9.7
INT/GNP (%)	1.3	1.2	2.1	1.9	2.0	2.0	4.6	3.7	3.6	5.0	4.7	6.3
RES/DOD (%)	25.5	17.6	24.4	8.4	29.5	34.4	75.5	57.4	13.4	3.5	2.3	1.1
RES/MGS (months)	1.6	2.0	2.6	0.8	2.6	3.2	0.8	0.8	2.2	0.6	0.3	0.2
In US$ million												
DOD	80	149	151	166	205	292	361	400	435	494	545	636
GNP	247	267	276	288	406	490	422	415	475	491	559	561
XGS	151	166	165	158	293	378	294	279	314	311	477	510
MGS	153	156		209	285	378	405	348	314	365	477	510
RES	20.4	26.2	36.8	14.0	62.6	100.5	27.3	23.0	58.3	17.5	12.7	6.9
Average Exchange Rage (US$1 = G$)	2.000	1.981	2.087	2.127	2.229	2.355	2.550	2.550	2.550	2.550	2.550	2.813

Notes:
DOD = Disbursed and Outstanding Debt (end-year).
PDS = Public Debt Service Payments.
INT = Public Debt Interest Payments.
GNP = Gross National Product.
XGS = Exports of Goods and Non-Factor Services.
MGS = Imports of Goods and Non-Factor Services.
RES = Gross International Reserves, excl. gold (end-year).

Sources: Government of Guyana, IBRD and IMF Statistics.

TABLE 10: GUYANA – EXTERNAL PUBLIC DEBT BY TYPE OF CREDITOR, 1972-81
(US$m)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Total Debt (incl. Undisbursed)	223.6	253.9	347.7	399.1	457.3	483.0	655.8	714.3	743.0	852.6
Commercial	68.9	82.5	113.5	151.4	207.1	209.4	197.8	215.9	223.5	197.9
Suppliers Credits	–	2.3	2.8	12.6	28.8	29.2	27.9	25.5	32.3	23.7
Financial Institutions	–	14.3	35.3	59.1	82.9	85.9	79.4	103.0	108.6	101.6
Bonds	16.2	14.1	14.3	12.3	10.3	11.6	12.3	13.5	14.5	11.6
Nationalisation	52.7	51.8	60.8	67.4	85.1	82.7	78.2	73.9	68.1	61.0
Non-Commercial	154.8	171.4	234.6	247.6	250.2	273.6	458.0	498.4	519.5	654.7
Multilateral	22.9	28.9	41.4	53.2	53.1	59.4	167.9	198.9	215.7	302.2
Bilateral	131.9	142.5	193.2	194.4	197.1	214.2	290.1	299.5	303.8	352.5
Per cent of Total										
Commercial	31	32	33	38	45	43	30	30	30	23
Non-Commercial	69	68	67	62	55	57	70	70	70	77
Disbursed Debt	150.8	165.8	205.4	292.2	361.5	400.5	434.9	493.7	545.4	635.7
Commercial	68.9	78.4	90.8	136.4	184.1	199.8	194.3	208.7	216.5	187.6
Suppliers Credit	–	–	2.0	9.0	17.4	25.8	27.8	24.3	30.4	23.2
Financial Institutions	–	12.5	13.7	47.7	71.3	79.7	76.0	97.0	103.5	91.8
Bonds	16.2	14.1	14.3	12.3	10.3	11.6	12.3	13.5	14.5	11.6
Nationalisation	52.7	51.8	60.8	67.4	85.1	82.7	78.2	73.9	68.1	61.0
Non-Commercial	82.0	87.5	114.5	155.8	177.4	200.7	240.6	285.0	328.9	448.1
Multilateral	4.8	8.7	14.3	20.0	23.7	29.6	43.2	72.2	105.6	167.9
Bilateral	77.2	78.8	100.5	135.8	153.7	171.1	197.4	212.8	223.3	280.2
Per cent of Total										
Commercial	46	47	44	47	51	50	45	42	40	30
Non-Commercial	54	53	56	53	49	50	55	58	60	70

Sources: Government of Guyana, IBRD and IMF Statistics.

TABLE 11: GUYANA – AVERAGE TERMS OF PUBLIC DEBT NEW COMMITMENTS: 1970-81

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
All Creditors												
Interest (%)	0.6	3.8	0.7	6.9	7.0	7.3	6.1	5.3	3.4	8.8	9.4	4.0
Maturity (years)	47.4	36.5	26.9	16.1	16.2	14.2	6.9	21.9	28.6	16.0	9.5	20.0
Grace Period (years)	9.4	8.4	9.8	3.8	4.1	4.0	2.0	4.8	7.7	4.5	3.3	5.2
Grant Element (%)	82.7	52.7	72.6	20.7	20.8	16.2	12.8	33.4	51.7	16.4	6.2	38.0
Commercial Creditors[a]												
Interest (5)	–	–	–	10.3	12.8	9.1	6.7	8.5	9.7	12.3	13.5	7.4
Maturity (Years)	–	–	–	8.1	6.5	5.2	6.0	5.8	5.2	5.9	5.9	6.1
Grace Period (years)	1.7	2.8	2.0	2.1	1.1	1.9	1.2	1.5	0.6	–	–	–
Grant Element (%)	–	–	–	–2.9	–9.6	1.8	9.9	3.6	0.1	–5.6	–13.3	6.6
Non-Commercial Creditors[b]												
Interest (%)	0.6	3.8	0.7	4.0	5.1	4.6	4.4	4.2	3.1	4.7	5.8	3.8
Maturity (years)	47.4	36.5	26.9	23.0	19.6	27.3	9.1	27.8	29.8	27.6	12.7	20.9
Grace Period (years)	9.4	8.4	9.8	5.7	4.5	6.9	1.9	6.1	8.0	8.3	5.0	5.5
Grant Element (%)	82.7	52.7	72.6	41.1	31.7	37.1	20.7	44.4	54.4	41.5	23.0	40.2

[a] Includes suppliers credits, financial institutions, bonds.
[b] Includes bilateral and multilateral loans and official export credits.
Sources: Government of Guyana, IBRD and IMF Statistics.

The impact of these developments was a widening of the central government deficit. As Table 12 shows, in 1975 the overall central government deficit was minus $141.1 million. By 1981, the figure had reached minus $591.8 million. For the period 1970-75, the deficit averaged minus $74.2 million, while for the period 1976-81 the deficit averaged minus $349.4 million. The impact of bonanza sugar prices shown in this table is that in 1975, tax revenues were about three and one-half times greater than the levels obtained in 1973, and, despite inflation, were also greater than that for every subsequent year, except 1981 when it was just about 2 per cent larger. The consolidated data on public sector finances (central government and para-statal corporations) show a rapidly growing deficit for the period 1977-81 (See Table 13). In 1981, the combined deficit stood at minus $200 million as compared with minus $128 million in 1978, and minus $293 million in 1977. The financing of these deficits shows the pressure on external borrowing, as previously noted, as well as on internal borrowing, although to a considerably lesser extent. Item 9 in Table 13 gives these details.

The desperate economic circumstances have led to severe prohibitions on imports and widespread shortages of all categories of goods. In the food sector, such basic items as milk, cheese, flour, chicken, salt, butter, peas, coffee are all virtually unavailable to the average working class household. Production has severely declined as intermediate inputs are unavailable. As the data in Table 14 show, measured in constant prices, gross national income has declined every year since 1976 with the exception of a small 1 per cent increase in 1980. Out of this situation an active unofficial parallel economy in scarce items and foreign exchange has developed. The price of foreign exchange here has been close to double the official rate and this has guided the pricing of other items of goods smuggled into the country and put on sale.

It is a truism to state that the correct diagnosis of the causes of this crisis, or indeed of any crisis, is crucial to the devising of a serious programme of recovery. In this instance, a number of causes have been given, the most popular being shock of external events, particularly the oil price increases

TABLE 12: CENTRAL GOVERNMENT PUBLIC FINANCES: SELECTED DATA

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
rent Revenue, of ch:	1330.0	126.8	151.0	160.2	303.2	497.3	389.7	352.4	365.4	394.9	453.9	557.2
Tax Revenue	119.2	112.2	132.6	134.6	279.2	469.1	336.5	301.0	313.8	333.6	380.8	479.3
Direct Taxes	50.1	42.9	59.9	63.4	176.3	340.9	196.1	174.5	166.4	171.7	196.7	233.5
ndirect Taxes	69.1	69.3	72.7	71.2	102.9	128.2	140.4	126.5	147.4	161.9	184.1	280.1
Non-Tax Revenue	13.8	14.6	18.4	25.6	24.0	28.2	53.2	51.4	51.6	61.3	73.1	77.9
ent Expenditure	123.7	134.7	152.6	200.5	249.4	327.3	457.2	415.0	424.0	483.0	588.0	740.0
ent Surplus/Deficit	+9.3	−7.9	−1.6	−40.3	+53.8	170.0	−67.5	−62.6	−58.6	−88.1	−134.1	−182.8
apital Receipts	2.1	3.0	2.0	4.0	1.7	0.4	0.2	2.7	2.2	16.5	13.4	13.0
apital Expenditure	52.1	60.8	56.4	70.2	90.8	311.5	345.8	128.6	109.0	207.0	338.4	422.0
l Expenditure	175.8	195.5	209.0	270.7	340.2	638.8	803.0	543.6	533.0	690.0	926.4	1162.0
l Revenue	135.1	129.8	153.0	164.2	304.9	497.7	389.9	355.1	367.6	411.4	467.3	570.2
ll Surplus/Deficit	−40.7	−65.7	−56.0	−106.5	−35.3	−141.1	−413.1	−188.5	−165.4	−278.6	−459.1	−591.8

ces: Government of Guyana, IMF and World Bank Statistics.

TABLE 13: PUBLIC SECTOR FINANCES (1977-1981)
($ m)

	1977	1978	1979	1980	1981
1. Central Government Current Revenues	352	365	395	454	557
2. Central Government Current Expenditures	415	424	483	588	740
3. Central Government Current Account	−63	−60	−88	−134	−183
4. Other Public Sector Current Account	32	115	154	175	−37
5. Total (3 + 4)	−31	54	66	41	−220
6. Public Sector Capital Revenue	3	2	18	16	13
7. Public Sector Capital Expenditures	265	184	298	390	493
8. Overall Public Sector Deficit	−293	−128	−214	−333	−700
9. Financing					
A. Net External Borrowing	89	102	68	85	346
B. Net Banking System Borrowing	190	73	182	353	268
C. Other	14	−47	−36	−105	86
10. As per cent of GDP					
A. 3 above	−5.6	−4.7	−6.6	−8.9	−10.5
B. 5 above	−2.8	4.3	5.0	2.7	−12.7
C. 8 above	−26.1	−10.1	−16.1	−22.1	−40.3

Sources: Government of Guyana, IMF and World Bank Statistics.

TABLE 14: GROSS NATIONAL INCOME AT CONSTANT 1977 PRICES
($G m)

Year	Gross National Income (Constant Prices)
1976	1,101
1977	1,058
1978	1,000
1979	924
1980	985
1981	906

Source: Government of Guyana Statistics.

of 1973-74 and again in 1980. Other explanations approach the crisis by dealing with each year separately and seeking to explain the economic collapse in terms of events in each year. Some attribute the crisis to the coincidence of a series of natural calamities, drought, floods, *etc.*,-while others give a version of the external cause in terms of the recession/depression which has characterised the industrialised capitalist economies. While all these causes no doubt constitute elements of the crisis, the evidence suggests that its principal root is, in fact, the collapse of the main productive sectors of the economy, now under state control. This thesis *does not* gŏ on to say that it is state control which has caused the production crisis, certainly not in the simple or abstract sense of 'state versus private control' of production in Third World economies, with the former usually being the more inefficient. Locating the roots of the crisis in the sphere of production does, however, reinforce the responsibility of the state in both the development of the crisis and its role in any solution to it. In this sense therefore, the proposition here does not simply locate the problem in the general condition of underdevelopment, but in the specific form and manifestations of this in Guyana.

The production crisis underlining the economic crisis and the more general crisis in Guyana is portrayed in the output fugures of the principal commodities produced in Guyana, as shown in Table 15. Looking at the bauxite-alumina industry first, one finds that peak outputs for dried bauxite and alumina were achiĕved as far back as 1970, while in the case of calcined bauxite, peak output was achieved in 1975. Output for these three products averaged 75 per cent, 92 per cent and 91 per cent of the peak respectively for the period 1970-75 and 43 per cent, 70 per cent and 79 per cent of the peak for the period 1976-81. In the sugar industry, peak output was also achieved as far back as 1971. For the period 1970-75, output averaged 86 per cent of the peak output and for 1976-81, this was 80 per cent of the peak output. In the case of the rice industry, peak output was reached in 1977 and output for the period 1970-75 was 61 per cent of the peak and in 1976-81, 77 per cent of the peak output. These

three products account for 38 per cent of GDP between 1970-75 and 34 per cent between 1976 and 1980. Table 16 presents this data.

The compound annual rate of growth of the mining sector in real terms was -2.3 per cent for the period 1970-75 and -5.3 per cent for the period 1975-80, giving an overall rate of -3.8 per cent for the period 1970-80. Preliminary estimates show a decline of -11.4 per cent 1981. The sugar sector shows a rate of increase of 0.9 per cent for the period 1970-75 and -1.3 per cent for the period 1975-80; giving an overall decline of -0.6 per cent. The rice sector showed an increase of 2.4 per cent for the period 1970-75 and 0.9 per cent for the period 1975-80. The overall increase for the period 1970-80 was 1.7 per cent per annum. These data are displayed in Table 17.

The decline in output is reflected in the decline of export quantities. All the bauxite/alumina produced is exported. In the case of rice, and to a far lesser extent sugar, significant quantities are consumed internally, but as can be seen from Table 15 the export quantities of these products mirror the poor output performances.

If the situation was that foreign markets for these products were shrinking, then the data would not have been as revealing of a production crisis as is being suggested. The evidence, however, is directly to the contrary, for the country has been unable to satisfy available markets. In the case of rice exports to the Caribbean there have been persistent shortfalls of exports by Guyana, leading to diversion of purchases by countries in this region to the United States. As there is an element of subsidisation and protection for Guyana's rice in the Caribbean Common Market (CARICOM) this failure is of particular note. In the case of bauxite, Guyana has traditionally supplied about 90 per cent 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 per cent of the total. In the case of sugar, Guyana has had great difficulties in meeting its Lome Convention quotas, and also the shortfalls in production by

TABLE 9: GUYANA – SELECTED EXTERNAL DEBT INDICATORS, 1970-81
(%)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
DOD/XGS (%)	52.9	89.6	91.4	104.9	70.1	77.3	122.9	143.5	138.5	158.7	133.3	173.2
DOD/GNP (%)	32.3	55.7	54.6	57.6	50.6	59.6	85.6	96.5	91.6	100.5	97.6	113.3
TDS/XGS (%)	3.3	2.7	5.2	6.6	4.5	4.3	11.2	11.5	15.7	29.1	16.9	20.2
TDS/GNP (%)	2.0	1.7	3.1	3.6	3.3	3.3	7.8	7.7	10.4	18.4	12.3	13.2
INT/XGS (%)	2.1	1.9	3.6	3.5	2.8	2.6	6.7	5.4	5.4	7.9	6.4	9.7
INT/GNP (%)	1.3	1.2	2.1	1.9	2.0	2.0	4.6	3.7	3.6	5.0	4.7	6.3
RES/DOD (%)	25.5	17.6	24.4	8.4	29.5	34.4	75.5	57.4	13.4	3.5	2.3	1.1
RES/MGS (months)	1.6	2.0	2.6	0.8	2.6	3.2	0.8	0.8	2.2	0.6	0.3	0.2
In US$ million												
DOD	80	149	151	166	205	292	361	400	435	494	545	636
GNP	247	267	276	288	406	490	422	415	475	491	559	561
XGS	151	166	165	158	293	378	294	279	314	311	477	510
MGS	153	156		209	285	378	405	348	314	365	477	510
RES	20.4	26.2	36.8	14.0	62.6	100.5	27.3	23.0	58.3	17.5	12.7	6.9
Average Exchange Rage (US$1 = G$)	2.000	1.981	2.087	2.127	2.229	2.355	2.550	2.550	2.550	2.550	2.550	2.813

Notes:
DOD = Disbursed and Outstanding Debt (end-year).
TDS = Public Debt Service Payments.
INT = Public Debt Interest Payments.
GNP = Gross National Product.
XGS = Exports of Goods and Non-Factor Services.
MGS = Imports of Goods and Non-Factor Services.
RES = Gross International Reserves, excl. gold (end-year).

Sources: Government of Guyana, IBRD and IMF Statistics.

TABLE 10: GUYANA – EXTERNAL PUBLIC DEBT BY TYPE OF CREDITOR, 1972-81
(US$m)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Total Debt (incl. Undisbursed)	223.6	253.9	347.7	399.1	457.3	483.0	655.8	714.3	743.0	852.6
Commercial	68.9	82.5	113.5	151.4	207.1	209.4	197.8	215.9	223.5	197.9
Suppliers Credits	–	2.3	2.8	12.6	28.8	29.2	27.9	25.5	32.3	23.7
Financial Institutions	–	14.3	35.3	59.1	82.9	85.9	79.4	103.0	108.6	101.6
Bonds	16.2	14.1	14.3	12.3	10.3	11.6	12.3	13.5	14.5	11.6
Nationalisation	52.7	51.8	60.8	67.4	85.1	82.7	78.2	73.9	68.1	61.0
Non-Commercial	154.8	171.4	234.6	247.6	250.2	273.6	458.0	498.4	519.5	654.7
Multilateral	22.9	28.9	41.4	53.2	53.1	59.4	167.9	198.9	215.7	302.2
Bilateral	131.9	142.5	193.2	194.4	197.1	214.2	290.1	299.5	303.8	352.5
Per cent of Total										
Commercial	31	32	33	38	45	43	30	30	30	23
Non-Commercial	69	68	67	62	55	57	70	70	70	77
Disbursed Debt	150.8	165.8	205.4	292.2	361.5	400.5	434.9	493.7	545.4	635.7
Commercial	68.9	78.4	90.8	136.4	184.1	199.8	194.3	208.7	216.5	187.6
Suppliers Credit	–	–	2.0	9.0	17.4	25.8	27.8	24.3	30.4	23.2
Financial Institutions	–	12.5	13.7	47.7	71.3	79.7	76.0	97.0	103.5	91.8
Bonds	16.2	14.1	14.3	12.3	10.3	11.6	12.3	13.5	14.5	11.6
Nationalisation	52.7	51.8	60.8	67.4	85.1	82.7	78.2	73.9	68.1	61.0
Non-Commercial	82.0	87.5	114.5	155.8	177.4	200.7	240.6	285.0	328.9	448.1
Multilateral	4.8	8.7	14.3	20.0	23.7	29.6	43.2	72.2	105.6	167.9
Bilateral	77.2	78.8	100.5	135.8	153.7	171.1	197.4	212.8	223.3	280.2
Per cent of Total										
Commercial	46	47	44	47	51	50	45	42	40	30
Non-Commercial	54	53	56	53	49	50	55	58	60	70

Sources: Government of Guyana, IBRD and IMF Statistics.

other Caribbean countries which it is entitled to make up under the ACP-EEC Sugar Protocol of the Lome Convention.

In addition to this type of evidence, detailed studies by consultants and researchers of these industries, suggest operation at levels significantly below capacity ratings. Thus, the current capacity rating for the sugar industry is 450,000 tons per annum. For the rice industry the rating is 250,000 tons of rice from about 360,000 acres, wheras only about 225,000 acres were reaped during 1980-81. In the case of the bauxite industry, experts in the industry claim output capacities at the levels shown in Table 18.

One should be careful to note that these output figures show a tendency for declining output going as far back as 1970, in the case of sugar and bauxite. To this extent also, the external environment, while an important consideration, could not have been the principal explanatory factor behind the decline. Indeed, as observed earlier, despite the quadrupling of oil prices during the period, 1973-74, the terms of trade of Guyana improved between 1970 and 1975. One can also observe that the deterioration in the terms of trade which took place after 1975 was not as drastic as it could have been, if bauxite and rice prices had not been relatively favourable. Indeed, it was in 1978 that the index fell below 100, while in 1980, because of improved sugar prices, the index rose to 93.2, only to fall again to 85.8 in 1981.

The expansion of state expenditures during this period was the principal countervailing force to the pressures created by declining physical output in the major sectors. This expansion was, in the first instance, financed by the windfall foreign exchange earnings of the 1974-75 period, particularly the Sugar Levy, which yielded approximately $325 million. Later, external and internal borrowing was to finance state expenditures, but even here, as can be seen in Tables 10 and 11, the debt structure was more favourable than in many Third World countries. This was so because of the significant element of non-commercial borrowing, three-quarters of all new commitments in the period after 1976. Commercial debt rose significantly during the period 1972-77, but declined noticeably after 1977 as the government turned to interna-

TABLE 17: REAL GROWTH OF MAIN PRODUCTIVE SECTOR
(Compound Growth Rate % per annum)

Sector	1970-75	1975-80	1970-80
Productive Sectors, of which:	2.0	–1.6	0.2
Mining	–2.3	–5.3	–3.8
Sugar	0.9	–1.3	–0.6
Rice	2.4	0.9	1.7

Sources: Government of Guyana, IMF and World Bank Statistics.

TABLE 18: BAUXITE: OUTPUT AND CAPACITY

'000 tons

Product	Estimated Export Capacity	Capacity with Improvements	Actual Output 1981
Calcined bauxite	925	1,220	496
Dried bauxite	1,300	1,780	1,011
Alumina	290	330	152

Note:
These estimates indicate the quite considerable under-utilisation of current capacity.
Source: Consultants' Estimates

tional financial institutions. While this switch was to introduce another set of burdens, to be discussed later, it was, nevertheless, responsible for the interest burden at the end of 1981 averaging 4.0 per cent for all creditors, with a maturity of twenty years, a grace period of 5.2 years and a grant element as much as 38 per cent. Even for its commercial creditors, while interest rates were high during the period 1979-80, these declined significantly in 1981. Internally, debt service payments have also grown dramatically. As can be seen in Table 19, these have averaged over 41 per cent of current government expenditures between 1979 and 1981, compared with only 15 per cent during the 1970-72 period.

We may conclude, therefore, that while external events have no doubt served to heighten the severity of the crisis in Guyana, they are by no means the principal cause of it. But, having established the principal rôle of the production crisis, the question which remain is, why did this occur? A long list of factors have contributed, and principal among these are:

(i) The erratic and unplanned expansion of state property. Thus, we find that the *1972-1976 Development Programme* in which the plan to Feed, Clothe and House the nation by 1976 was pro-
(i) The erratic and unplanned expansion of state property. Thus, we find that the *1972-1976 Development Programme* in which the plan to *Feed, Clothe and House* the nation by 1976 was pro-mulgated, had no reference or indication of the expanding role of the state sector. This plan was introduced as a draft before the elections of July, 1973 and has never since been finalised as a public document. After 1976 in the annual budget presentation, the Minister of Finance simply referred to government's intention to 'roll over' the *1972-76 Plan*.

(ii) Mis-management was also an important contributory factor. In part, this stemmed from the absence of a planned framework for economic activity, particularly one so highly dependent on the state and in part also, it was due to the flight of management and technical staff at all levels. The data in Table 20 reveal the very high migration rates. Between 1970 and 1975, about 47,000 persons migrated or approximately 43 per cent of the natural increase of the population in that period. Between 1976 and 1981, the total number of migrants was 72,000 or 70 per cent of the natural increase for the same period. As migration opportunities, however, to the UK and North America and the Caribbean have become more and more limited, so more and more only skilled persons have tended to qualify. The net effect has been that the skills level

TABLE 19: GOVERNMENT CURRENT EXPENDITURE BY CATEGORY (%)

Year	Personal Emoluments	Public Debt Payments	Education	Health	Defence, Law[2] and Order
1970	40	14	15	8	14
1971	43	14	15	8	13
1972	43	17	16	8	12
1973	40	21	15	8	12
1974	35	23	15	8	13
1975	33	21	−14	7	14
1976	20	26	13	5	18
1977	35	30	17	7	15
1978	35	35	16	6	15
1979	30	39	13	6	13
1980	25	44	12	6	12
1981 (Budget Estimate)	26	41	13	6	12

Note: 1: Totals in rows are not cumlative since expenditure on personal emoluments duplicates expenditure on health, education, etc.
2: Because of the nature of the security services expenditures, these figures are not necessarily complete.

Source: Government of Guyana.

TABLE 20: POPULATION STATISTICS

Year	Beginning of Year Population	Natural Increase	Actual Migration
1970	703,000	18,895	−5,895
1971	716,000	18,539	−5,539
1972	729,000	19,103	−8,103
1973	740,000	18,501	−8,501
1974	750,000	16,499	−9,499
1975	757,000	18,009	−9,009
1976	766,000	17,709	−8,709
1977	775,000	17,580	−9,580
1978	783,000	17,320	−14,320
1979	786,000	16,881	−12,881
1980	790,000	17,000	−14,000
1981	793,000	17,000	−13,000

Sources: Government of Guyana, IMF and World Bank Statistics.

of migrants is being continuously upgraded. Thus, it is by no means surprising to find that currently more than one-quarter of the senior positions in the bauxite industry are unfilled for lack of suitable applicants.

(iii) As the state has grown in size and economic circumstances have worsened, increasingly administrative restraints have been placed on all areas of production, distribution and consumption. This has produced negative effects, particularly because of mal-administration of these restraints in the absence of a significant cadre of skilled managerial personnel capable of handling the rapidly expanding regulation of economic activity.

(iv) As the state has encountered increasing difficulties in raising revenue, the availability of counterpart funds for overseas financed projects have shrunk. This, along with the other factors already mentioned has produced massive cost over-runs, leading to long delays, and in some cases cancellation of projects. With all this, the state has been investing about three and one-half to five times the rate of the private sector, as can be seen in Table 21. The high ratio of investment to GDP shown in this table underscores the impact of falling incomes and highlights the problems of efficient use of state controlled resources.

(v) In specific sectors, specific evidence of mis-management can be found, as for example poor maintenance procedures in the sugar factories and poor cultivation practices which reveal themselves in declining yields and declining factory conversion ratios from sugar cane to sugar.[5] Or to take another example, the gross inefficiencies of the Rice Board which controls the rice industry, even though the bulk of production is by independent small farmers.

(vi) As the production crisis has deepened and incomes have fallen, the neglect of the public utilities has become more and more noticeable. Outage of electricity occur daily, despite a rash of emergency purchases of stand-by equipment. The sewage and water system in the capital city of Georgetown are under threat of imminent collapse. Public transport is so poor that some trade unions estimate that it takes the average worker four hours each day in travel time to go to and from work. Along with these difficulties, the postal and communication systems are in a state of gross disrepair. Allied with this deterioration in the public utilities is the collapse of social services (education, health, recreation, etc.) under the impact of drastic curtailment and re-ordering of government expenditure. As the physical and social infrastructure has deteriorated, the conditions for productive recovery have also worsened.

(vii) On top of all this political discrimination and the victimsation of workers have become routine. This has led to a marked alienation of the workforce and has also encouraged the outward migration movement, revealed in the data cited.

TABLE 21: FIXED CAPITAL FORMATION RATIOS

CAPITAL FORMATION

Year	Private as a % of GDP at Market Prices	Public as a % of GDP at Market Prices	Total as a % of GDP at Market Prices
1970	12	10	22
1971	7	12	19
1972	8	12	20
1973	6	15	21
1974	7	17	24
1975	6	21	27
1976	5	25	30
1977	5	18	23
1978	4	15	19
1979	5	18	23
1980	4	19	23

Source: Government of Guyana Statistics.

This list could go on and on particularly, if we were to detail the many problems of specific industries. But, while space does not permit this, it is hoped that enough has been indicated to support the point of view that the root cause of all these problems is, in fact, the political structure of the government and state in Guyana. Immediately such an argument is advanced however, the crisis can no longer be seen as being confined to the sphere of production or the economy. It now takes on the characteristics of an all embracing and general crisis affecting the spheres of politics, society, culture and ideological relations. Before we can examine this extension of our hypothesis, we must first turn to an analysis of the role of government and the IMF-World Bank Group in the crisis and its management.

POLICY RESPONSES AND THE IMF-WORLD BANK GROUP

Although the *1972-76 Development Programme* had as it goal to *feed, clothe and house* the nation by the end of the period, careful monitoring of the performance of the economy would have indicated that far from any likelihood of achieving this goal during the period, the production crisis was already beginning to emerge, and was only being temporarily masked by the inevitably short-lived boom in sugar prices. That such monitoring was within the competence of the authorities is revealed by the fact that some trade unions had been petitioning, as early as January 1977, the national Trades Union Council to take initiatives with the government and the workers to have the deteriorating economic situation rectified.[7] Instead, the government opted for what appeared then to be the 'easy' solution of monetary expansion. The view seemed to be that the declines in output and foreign exchange earnings which had taken place, even though in reference to the phenomenally high peak of 1974-75, would be temporary. Implicit in this was the further view that the oil price increase would bolster all primary commodities prices and that the historic pattern of the terms of trade would be reversed. Thus, in 1975 the money supply expanded by 41 per cent, and in 1976 and 1977, the expansion was by 9 per cent and 23 per cent respectively. Bank credit to the public sector also rose rapidly, increasing by a factor of more than two and a half between 1975 and 1977. These data are shown in Table 8. While the increase in bank credit to the public sector reflected, in part, the shift from private sector to public sector activity as can be seen in this table, when combined with the expansion in monetary supply, this shift does not rule out the 'easy money' solution of internal borrowing. With net international reserves at the all time high of $185 million in 1975, the boast was that 'we never had it so good', but by 1976, these reserves had fallen to -$55 million.

By 1977, the economic difficulties could not be hidden or alleviated through monetary expansion and public sector deficit financing. Underlying the failure of the main export sectors to grow, was also the widespread poverty and insufficiency of production of all essential items which the feeding, clothing and housing programme was to have removed. Thus, in 1976 the country was producing only eight ounces of poultry per person per week, one egg per person per eight days, three to four ounces of pork per person per week three to four ounces of beef per person per week and 0.8 pints of milk per person per week. It is not surprising that an ILO study of the period observed:

> Since the *1972-76 Development Plan* has been 'rolled over into 1977 and since that *Plan* was often vague on how the Government's explicit objectives were to be met it is not surprising that the country had not made nearly as much progress as envisaged in the original plan.[8]

The study then went on to refer to the fact that "as far as nutrition is concerned, the evidence points to a widespread incidence of malnutrition which is both cause and effect of ill health."[9]

On the question of housing the nation, the study pointed out:

> The Government's *1972-76 Plan* aimed to 'house the nation' within the five-year *Plan* period . . . once again the rhetorical commitment was not matched by adequate planning.[10]

In response to the difficulties facing it in 1977, the government, in its annual budget, introduced a number of deflationary measures, designed to reduce the levels of real consumption and redistribute income in favour of surpluses for the state. Thus, public expenditure was cut by 30 per cent in that year alone. Subsisies on such items as transport, poultry feed, flour, water and electricity were removed. Retrenchment of state employees was also set in train. However, these measures did not succeed in correcting the balance of payments deficit as was expected. In fact, it worsened, and the first major resort to IMF financing was made in 1978.

Between 1966 and 1977, ten stand-by agreements were negotiated with the IMF, but resort was only made to four of these. This was so, not only because the foreign exchange position did not appear very critical at any point during this period, but also because principal resort was, at the time, made to international commercial lenders. In mid-1978, however, an IMF stand-by credit was negotiated. This was for the equivalent of 6.25 million SDRs, and to cover a one year period. This one-year period reflected the assumption of a temporary crisis. Under the greement with the IMF, the major focus of government's policy was to be on *demand management*. This was to be achieved mainly through reductions in state expenditures, an imposed policy of wage restraint, the progressive elimination of government subsidies. and the introduction of a number of new revenue measures. The objective was to *reduce* the the real levels of spending in order to reduce imports, and to *redistribute* income in favour of savings, rather than consumption. At the same time the government had signed a minimum wage agreement with the national Trades Union Council to raise the minimum wage from $5.50 to $8.40 per day in 1977, and further to $11.00 and $14 per day respectively in 1978 and 1979. The budget of 1977 froze this agreement after 1978. To date, the $14 per day wage has not been implemented.

The IMF, while not claiming its demand management strategy to have been a success in 1978-79, has always proudly pointed out that aggregate demend had fallen in the course of the agreement by 20 per cent in real terms; that the public sector current account had turned from a deficit of 2.9 per cent of GDP in 1977 to a surplus of of 4.3 per cent in 1978, while the overall deficit was reduced from 26.1 per cent to 10.1 per cent. As a consequence, the balance of payments current account deficit was reduced from 22.4 per cent of GDP in 1977, to 5.8 per cent of GDP in 1978. The cost of all this to the work force and the unemployed was, however, high. In real terms, consumption fell by 7 per cent and per capita gross national income fell by 8 per cent in that one year; while unemployment had increased significantly and was variously estimated at between 25 per cent to 40 per cent of the work force. This assault on the workers' standard of living stood in striking contrast to the declared objectives of feeding, clothing and housing the nation by 1976.

Despite this massive deflationary effort, there was nothing achieved that came even near to a fundamental correction of what both the IMF and government had clearly approached as a temporary balance of payments disequilibrium. In August 1979, in recognition of the 'fundamental' nature of what was still seen as a balance of payments crisis and the time it would take to correct it, a three year Extended Fund Facility was negotiated. As is normal in these circumstances, a long list of policies was agreed on between the IMF and the government. This included the progressive elimination of subsidies; the elimination of all forms of price control and administrative price-fixing; an adjustment of energy prices to bring it in line with oil price increases internationally; an increase in interest rates in order to encourage savings; the elimination of commercial arrears with foreign suppliers; no significant or widespread increases in wages in the public sector; increases in taxation and a definite exercise of restraint in the growth of the public sector. The amount agreed on for the Extended Fund Facility was 62.75 million SDRs of which 27.5 million SDRs were from ordinary resources and the remainder from supplementary financing.

The three-year Extended Fund Facility arrangements were basically more of the 1978 Stand-by Agreement. Not surprisingly, the further squeeze in demand could produce no better results. In 1979, real GDP fall by 4.8 per cent and the production crisis continued unattended. The IMF policies of demand management were premised on the existence of a market-type economy were resource were significantly mobile and responsive to changes in prices and the level of demand. The fractured and segmented nature of Guyana's economy, combined with extensive state control and a limited experience of it could not respond to general changes in the levels of demand without undue hardships being placed on both working and non-working population. The 1939 Agreement, however, was soon aborted and so we need not detain ourselves long on this. By mid-1980, a new agreement was reached with IMF.

Between 1978 and 1980, the IMF had come around to the view that demand management alone could not work in Guyana. This was a reflection of the viewpoint gaining acceptance in IMF/World Bank circles that the Third World's balance of payments problems could not be solved by demand management alone. Supply management was also necessary. And so it was that, in consort with the World Bank Group, a new Extended Fund Facility and Structural Adjustment Loan/Credit agreement were reached with the government of Guyana.

The new Extended Fund Facility was also for three years, but now for the larger sum of 100 million SDRs in mid-1981 or 400 per cent of Guyana's quota of 37.5 million SDRs. The World Bank Group also provided a Structural Adjustment Loan/Credit in 1981 to a total of US$22 million. Of this total, US$14 million was a loan made by the IBRD to finance essential imports. Out of this, US$8 million, was to provide an export development fund, and the remainder, US$6 million, was to be used to purchase equipment and spare parts for the electricity, forestry and fishing industries as well as chemical inputs and spare parts for the bauxite-alumina industry. The remainder of the Structural Adjustment/Loan Credit (approximately 6.3 million SDRs) was an IDA credit to purchase imported inputs similar to those identified in the US$6 million portion of the loan.

The now familiar targets were set by these agreements. These included quarterly ceilings on net domestic assets, ceilings on gross international reserves of the banking system; ceilings on net credit to the consolidated public sector by all domestic banks as well as private foreign banks; and an annual rate of growth of GDP of 7 per cent. The programme was focussed on the expansion of the supply of exports and the development of domestic supplies to replace imports. It saw, however, the major supply constraints on existing production as due to over-regulation of the economy, inefficient pricing policies of the state sector, the prevalence of subsidised prices and the insufficient monetary rewards paid to the managerial and technical cadres in the society. Appendix A provides a detailed list of policies the government was to pursue and the monitoring activities of these international financial institutions was to follow to see that these were done. One agreement which does not appear there, and which is not openly admitted as such, was the agreement to adjust Guyana's exchange rate to an appropriate level. As a conse-

quence, in mid-1981 the Guyana dollar, which was linked to the US dollar, which was linked to the US dollar, was devalued by 15 per cent. The previous devaluation was in 1975 and the IMF appears to be dissatisfied with the extent of the devaluation because it only compensated for the effective real appreciation of the currency since the previous devaluation which was brought about by the appreciation of the US dollar to which it was linked. To make matters worse, by mid-1982, the nominal exchange rate had appreciated by about 5 per cent and the real exchange rate had also appreciated by 18 per cent above its pre-devaluation level! It should be stressed that not a single public word, even in the government controlled media, has ever been published or said to suggest a difference in point of view between the government and the IMF-World Bank Group.

While the recognition of a supply problem by these institutions and the government was an improvement over the crude 'excess demand' approach of the earlier period, the view of what constituted the supply problem was very limited indeed. But, it was not only a case of 'too little too late', but also the case that the *policies of demand adjustment pursued earlier had helped to exacerbate the crisis and widen it into other areas of social life.* How this occurred will be outlined further on in the discussion. However, the government was unable to meet the targets and it was forced to withdraw from both the IMF and World Bank Group programme. This occurred as early as the third quarter of 1981, just months after the agreements had been reached, reflecting we believe, the profoundity of the crisis at hand.

Currently, yet another major approach is being made to IMF-World Bank Group on the basis of an 'action programme' the government has proposed. This programme which was prepared in more or less open consultation with these agencies has several important elements to it, all of which seem to end even the pretence of cooperative socialism Among the more important are:

(i) The legal enactment of an Investment Code, prepared in consultation with the World Bank Group, to act as a guide and guarantee to private investors, both foreign and local.

(ii) A proposed agreement with international commercial banks to obtain a rescheduling of the external commercial debt. At the moment the aim is to defer principal payments of $US35 million due 1982-83 into medium term loans. This agreement is to cover four-fifths of the amortization due to banks during this period, and, as a result, reduces amortization and total debt service by one-third and one-fifth, respectively, below expected levels. Morgan Grenfell has been contracted to do the job of debt re-scheduling with the assistance of the UNDP and the UK government's Overseas Development Administration. A tentative approach has been made to the Parish Club while the IMF loans received during 1978 and due have veen effectively re-scheduled in mid-1982.

(iii) To extend the limited 'no funds' licensing scheme for imports of capital equipment and spares without licence. Currently, for small amounts up to $5,000, an effective blind eye is turned to the illegal possession of foreign exchange. Further, the government proposes to simplify the procedures for obtaining licences and foreign exchange in the manufacturing sector.

(iv) To enter into a partnership agreement with a foreign company to manage the bauxite industry.

(v) To reduce the areas of operation of the government's Rice Board.

(vi) In response of IMF/World Bank Group insistence, the government has agreed to adopt the Agricultural Sector policies of the Inter- American Development Bank agreement it has entered into. In particular, to review marketing and price arrangements in order to increase returns to farmers, to increase remuneration in order to attract technicians into the agricultural sector, to strengthen regional institutions and reduce the over-centralisation of agricultural activities by the state and to review land tenure arrangements.

(vii) The government also proposes to restrict public sector activities in manufacturing to those currently in existence, and to further strengthen existing ones through partnership, technology, management and equity arrangements with the private sector, both domestic and foreign. It has also stated it would consider divestments of its assets in fisheries, forestry,glass, pharmaceuticals and foodstuffs.

(viii) It also proposes to strengthen the administrative system of the state, to prune it of 'inessential' employees, and to make it more export oriented and commercial in its operations.

(ix) Many of these policies turn up in the Structural Adjustment Programme, but to remove any doubts the 'action programme' proposes formally to implement the policies in the Structural Adjustment Programme (Apendix A) which the government had previously been forced to withdraw from because of failure to reach its targets.

(x) The programme proposes a re-negotiation of yet another IMF stabilisation programme as part of its overall strategy for economic recovery.

There is little doubt that this 'action programme' is based on the IMF-World Bank Group's views that the three key constraints on supply are limitation of the public sector; over-regulation of the economy; and limited role assigned to the private sector.

But it is already clear that at this stage the main constraints on supply are political in nature, at least in the first instance, and have more to do with democracy in the production system than anything else. Such an open admission of 'political' constraints may well be beyond the jargon of the international bureaucracy, but this should not hide the fact that the IMF-World Bank Group's policies are themselves political in content. Essentially, in the case of Guyana they are directed against the development of state capitalist tendencies, which is clearly reflected in the statisation on the economy. In this regard therefore, the IMF-World Bank group's emphasis on markets, de-regulation of the economy and promotion of private sector activity is aimed at bolstering private, as distinct from state capitalist elements within the society.

In view of the record of incomplete programmes entered into with the Guyana government, two questions arise. First, how much of 'another development' could be entailed in a programme of cooperative socialism, if it is being built on IMF-World Bank Group credit? Second, why has the IMF-World Bank Group, despite the repeated failures, tried so often to 'rescue' Guyana, in marked contrast to the way it has treated other regimes in the Caribbean, e.g. Manley's Jamaica and Bishop's Grenada? The answer to the first, no doubt, is that, throughout its history, the rhetorical content of 'cooperative socialism' has far exceeded its real achievement. Even as it was promoting its 1972-76 programme, the government did not hestitate to resort to serious deflationary measures in 1977. *That is before the IMF had come on to the scene in a major way.* Like the IMF, the government had accepted the view that the crisis was principally a balance of payments crisis and to correct this a reduction in the levels of real consumption of the population was an essential step in curtailing imports. This view coincided with the IMF orthodoxy. It is instructive to note from the date in Table 22 that these policies have managed to keep consumer imports at a fairly constant ratio of total imports, Indeed, there has been no significant *variations* in any of the other ratios (intermediate goods and capital goods as a percentage of total imports). The self interest of the government in this was, that in so far as a new ruling class was being built up through the instrumentality of the state, cash flows to the state had to be maintained as the first priority, if its accumulation was not to be impeded. The response given so far, largely covers the issue raised by the second question. For, despite repression, the scandals of rigged elections, political assassination and constitutional malpractices of the worst sort, the IMF-world Bank group have always been there, even while it was being accused of destabilising Jamaica and Grenada.

TABLE 22: IMPORTS BY MAJOR CATEGORIES

	% of Total Imports					
Year	Consumer Goods	Intermediate Goods	Capital Goods	Other	Fuels and Lubricants % of Total	Fuels and Lubricants ($ million)
1972	36.0	34.0	30.0	–	9.4	(28.1)
1973	32.6	39.0	29.4	–	13.0	(48.4)
1974	19.0	54.8	25.2	1.0	18.2	(103.1)
1975	16.2	51.0	32.1	0.7	16.6	(135.0)
1976	17.8	48.5	32.7	1.0	14.8	(137.5)
1977	17.8	51.1	28.1	3.0	19.9	(160.4)
1978	18.5	59.3	21.5	0.8	23.9	(170.0)
1979	18.2	63.1	18.0	0.6	28.4	(230.0)
1980	18.5	61.0	20.0	0.5	33.2	(360.0)
1981						

Note: A new series of statistics on import classification began in 1974. The data *prior* to 1974 are not reliable.

Source: Bank of Guyana Reports.

FROM PRODUCTION CRISIS TO GENERAL CRISIS

Real life never proceeds in smooth compartments. The contradictions of social development reinforce the interconnections between differing spheres of social activity; and, so it has been in the case of the unfolding production crisis in Guyana. This idea has been developed elsewhere at some length. Here I propose merely to outline the operations of what I have termed the repressive escalator in order to show how the production crisis has generalised itself and thereby heightened the contradictions within the society.[11]

The 'repressive escalator' has operated in three main stages in Guyana, each stage serving to ripen the contradiction between oppression, seen as a ruling class solution to the present crisis, and popular resistance to this and deteriorating conditions of social life. *In Stage 1*, the government's efforts to enforce a reduction in the real wage in order to reduce import demand, to halt domestic inflation, and overcome the country's foreign exchange and balance of payments difficulties are resisted by the work force. This resistance centres in the state, since as a result of the nationalisations, the state is now the major employer of wage labour. The state seeks to repress the discontent it generates and its main focus is the containment of workers' rights inherited under the existing system of industrial relations. This option is chosen rather than a 'general election' since the government has come to power in the absence of free and fair elections, and so cannot itself hold any. The repressive interventions here follow three major lines. First, the *right to work* is undermined as political dismissals and victimisation of agitating workers proceed apace. Then, the right to strike is undermined under the invocation of the doctrine of the 'political strike'. Under this doctrine, any strike which the government does not 'approve' as being industrial is deemed 'political' and as such is treated as 'subversive' activity. Finally, the *corporatist* solution pursued in Latin America is adopted, as the state, reinforced by its dominant 'employer' status, manipulates the composition of the executive (and members also) of the trade unions in order to determine the final composition of the national Trades Union Congress and other central decision-making bodies.

Stage 2 follows because as the work force is repressed, this inevitably spreads into the repression of legality and human rights for all citizens. This progression has followed, simply because it is impossible to separate the rights of trade unions and trade unionists from the larger exercise of the rights of all or any citizens within a framework of justice. In this stage, the struggle is heavily centred in the courts. One important by-product of this stage has been the blurring of the traditional racial boundaries within the work force, as revealed in several major industrial actions (1977, 1978 and again in 1979).

In the final *Stage 3*, attacks on trade unions, human rights, the courts, *etc.* become highly politicised. Opposition formations, whether freely or not, rise in defence of democracy. The government is increasingly threatened as its unpopularity among citizens and the alienation of the work force grows. At this juncture, repression is extended to all opposition as well as independent social/political groups. To ensure its control, a process of fascistisation of the state rapidly proceeds. The state is constitutionally restructured, (1978 and 1980) to give constitutional semblance to this new reality. In this stage, political assassination and direct repression of popular manifestations become routine. There is a rapid growth of the security apparatuses of the state and, with this, the 'political element' within these bodies.

At this juncture, the crisis of production is totally political, as the political form and nature of the state becomes *the* primary conststraint to regnerated production. The state in its own self interest denies this and through its control of the media seeks, also, to deny the assistance of any such reality. It is out of this process, however, that widespread acceptance grows to the notion that a 'political solution' has to precede the implementation of an economic one.

Paralleling this repressive escalator is a number of vicious circles which operate both within and outside the sphere of production. Principal among these are:

(i) The need for the security apparatuses increases at the same point in time as the ability of the state to finance this from revenue is reduced. This is, nevertheless, essential and so the funds available for the productive and social sectors are reduced to finance it. Moreover, the increasing orientation of the state to its own security operates as a drag on its productive potential. All these reinforce the dilemma of increasing output.

(ii) The shortage of consumer goods which follows from the extreme restriction on imports increases inflationary pressure which reduces real wages and adds to the central core of an unstable work and industrial relations system.

(iii) Restrictions on public sector borrowing, accepted as a condition of the IMF-World Bank Group credit, (except to international financial institutions), reinforces the developing close relations between the government and the IMF-World Bank Group which serves to secure that the latter's viewpoint will prevail if there is a disagreement of substance.

(iv) As external indebtedness grows and arrears accumulate, the ability of the government to borrow abroad is further reduced. This worsens the crisis conditions at home because government cannot call on foreign savings to cushion declining domestic incomes. In turn, this intensifies the external debt problems and reinforces the vicious nature of the circle outlined in (iii).

(v) Because sources of government's revenues dwindle when GDP falls, resort is made to tax increases in an effort to improve yields. This, however, further depresses economic activity and increases the tendency towards price inflation. The government is then forced to turn to reductions in its outlays, which in turn raises the cycle once more, since this effects the growth of output and incomes negatively.

Vicious circles like the ones outlined have occurred in Guyana. They serve to demonstrate the fact that at this point in time, the production crisis is literally feeding on itself. This self-feeding reinforces the operations of the repressive escalator, which as we have seen, is a process that generalises the crisis. At this point, the government, the IMF, and the World Bank Group, rather than being in a position to solve the crisis, have themselves become a part, as well as a major contributory factor to its continuation and worsening in the society.

Conclusion

One major conclusion which emerges from the analysis of this study is that the criticism of the IMF-World Bank Group's dictation to Third World countries as part of their effort to promote global capitalism, while of major importance, does not go far enough. In so far as the IMF-World Bank Group complex does not, and cannot directly manage the affairs of Third World countries, it has to operate through local agents of control. The typical cases which have been noted, and justly publicised in the literature, are those in which this complex seeks to bend the will and change the direction of an elected and popular government pursuing a socialist, non-capitalist or 'another' development path. Where its policies harmonise with those of the ruling group, its effect on the masses of the population, if not the government is, nevertheless, the same. For , as we have already demonstrated, the IMF-World Bank Group has placed suppression of living standards in order to increase the rate of surplus extraction at the foreground of its policies in Guyana. This is its typical response to the correction of Third World balance of payments problems. Our analysis points to a situation of non-conflict in the relationship between the IMF-World Bank Group and the local government. The analysis also points to the well-known close relationship between the IMF and the World Bank Group which work in tandem with each other. What has also emerged is the close relationships between these two institutions and the Inter-American Development Bank (IADB) and it is instructive to note that the agreed policies between the government and the IMF-World Bank Group have included adherence to the IABD's agricultural sector programme recommended for Guyana as part of a sector loan to the country.

Lest it be feared that our criticism of the Guyana's government relationship with the IMF-World Bank Group is too harsh, it is important to bear in mind that all the local media in Guyana are nationalised. Also, it has been the frequent practice of the government to manage major demonstrations on events it considers important. Yet, throughout this long period of its dealings with this complex, no criticisms have emerged in the press, nor has a single public manifestation of government's opposition to this complex's policies been mounted by the government or its supporters. In other parts of the Caribbean (Manley's Jamaica and Bishop's Grenada) popular manifestations of opposition to the complex have occurred. In Guyana, it is opposing political, social and trade union groupings which have constantly criticised IMF-World Bank policies and the government's involvement with, and support of these.

Finally, in relation to this point it should also be noted that considerably secrecy has always surrounded the government's dealings with this complex. Thus, detailed data on the national economy are made freely and readily available to IMF-World Bank Group missions, yet studies such as this and others by trade union researchers, and independent scientific organisations have had to struggle to acquire these data, when their sole interest is to do nothing more than raise a dialogue on issues of the greatest concern to the working people.

Another conclusion of some importance, concerns the role of accurate diagnosis in devising solutions for social ailments. To those tempted to discount the role of scientific social inquiry in human development, it is apposite to recall the rightly famous saying that 'there is nothing more practical than a good idea'. Faulty diagnosis of the crisis has been as much a persistent feature of its unfolding as anything else. The 'mis-treatment' which this has given rise to, has contributed much to the deepening and widening of the crisis. As we saw, the initial view was that the crisis was 'temporary' and of a primarily 'external origin'. This led to the easy option of monetary expansion and budgetary deficits as a solution. As this did not happen as quickly as was anticipated, a programme of demand deflation was subsequently set in train. The IMF when brought in, in a major way in 1978, reinforced the approach of demand management and this led to considerable pressure on the levels of living of the mass of fashionable supply management policies was undertaken in close consort with the World Bank group. But, the concept of supply management, apart from arriving too late in the course of the crisis, was also quite limited. We pointed out that it was limited because the political constraints on production were never fully recognised. When political issues did arise these were appraoched from the point of view of state controlled capitalism versus private enterprise capitalism. Generally however, the supply approach was too late because, by that stage, the government, and the IMF-World Bank Group were, themselves, so integral to the perpetuation of the crisis that they had neither sufficient social, political or economic space to generate a solution.

The identification, in this paper, of the political constraints on production as being the primary ones should not lead to the inference that any political change would be enough or that there are no problems in the sphere of the economy to be attended to. There is little doubt that to overcome the crisis would also require fundamental and broadbased 'economic' reforms, which only the removal of the political constraints can make possible. Several of these have been cited elsewhere and the following are among the most important.

(i) The rapid extension of democratic relations in the work place. As a minimum, this would require freely and fairly elected representative trade union executives and other committees, as well as the rapid promotion of workers' control in the very least, state enterprises. Without a feeling of real participation, without a rapid reversal of feeling of alienation, among the work force, lasting improvements in labour productivity will not come about. The work process would continue to be largely counter-productive in terms of the production crisis.

(ii) The policy of repressing incomes, irrespective of its distributional and productivity related effects, and its impact on the quality of life of the population at large, needs to be replace by one that places priority on the satisfaction of basic physical needs. The experience of Guyana suggests, that at certain levels of real deprivation, and at certain rates of growth of immiserisation among the working population, the impact of increases in the levels of consumption is likely to yield sufficiently increased export productivity to more than compensate for increased consumption. It should be recalled, that there are considerable levels of under-utilisation of realisable capacity in the main export industries. To get this capacity utilised would require a massive uplift in the morale of the work force and a significant increase in their sense of participation in a struggle to make a better society. In this regard, an orientation towards social services, unemployment benefits, school feeding programmes, *etc*, is recommended, in direct contrast to the present Guyana-IMF-World Bank Group recipes.

(iii) Improvements in the levels of real consumption do not only mean increases in real wages for paid employees, but also increases in the real returns to the farming population, as well as policies designed to contain the growth of incomes of the relatively better off sections of the community, relative to the poor. Since independence, there has never been in Guyana an explicit government policy on income distribution. Indeed, there has never been, to my knowledge, any completed studies or systematic data available to provide anything like a reliable quantification of the pattern of income distribution over the past decade or so. The pricing of farmers' produce and inputs has followed no particular pattern, although in the past, in order to encourage certain areas of production, subsidisation of inputs (now all removed as part of the solution to the crisis) has been pursued. In the case of the largest domestically produced and consumed commodity (rice), the Rice Board which manages the industry has been the subject of criticisms from every quarter (including the IMF-World Bank Group) as being a parasitic bureaucracy.

(iv) All historical experience has shown that significant and widespread increases in agricultural output have to be preceded by 'radical' changes in land tenure arrangements. Obviously these changes would depend on the character of rural relations which prevail. In Guyana, the policy of 'Crown Lands', (that is the state (formerly the Crown) owns all lands and leases it to private persons or corporations) has restrained the growth of a large private landlord class, certainly on the same scale as neighbouring Latin American countries. The recent policy of nationalisation of the sugar estates has also removed the presence of the largest private land-holdings (that is those in possession of the TNCs). While this does not mean that rural stratification has not occurred, and does not exist on a widespread scale, it certainly appears to be facilitating of a fundamental reorganisation of land tenure arrangements, once the political will and capacity is there to put this into effect.

(v) Centralisation, which has followed on the expansion state property, while facilitating control by a small group of persons, is however, counter-productive in a country where social experience has been moulded under the authoritarian and commandist structures of slave plantations. It is more than passing significance that one of the first concrete steps of the ex-slaves, after destroying the slave system, was to start the 'village movement' of local cooperatively owned and directly controlled agricultural enterprises. The movement was sufficiently threatening of the established order of things, despite the 'freedom' the slaves had won, so as to force the colonial authorities to intervene and crush it. Although short-lived, this development highlights the strong social imperative in favour of greater and greater control of the work process which is latent among the population.

This is not the place to pursue these, as well as the many other elements of a solution which are required in the economic sphere, *e.g.* education and training, control and development of the public utilities, hinterland development and so on. But, it should be evident from what has been identified so far that such 'another' development is not consistent with just any political change. Workers democracy cannot exist without democracy and representative institutions in other spheres of social life. At the very minimum therefore, such political change must represent the will of the masses. Since this can only be established on the principle of 'free and fair elections' or legitimised by the broadest possible social revolution (and historically this has been very rare) the conclusion to be drawn is clear. Unless this eventuality occurs, the prediction which follows is that there will continue to be more of the same, with the IMF-World Bank Group (as well as some bilateral donors) providing funds with which to temporise and cushion the inevitable shocks.

APPENDIX A:
GUYANA – THE STRUCTURAL ADJUSTMENT PROGRAMME

Economic Issues	Proposed Policy Actions	
	Principal Measures	IBRD Monitoring
I. BALANCE OF PAYMENTS		
A. Rising petroleum import bill which has contributed to declining terms of trade and erosion in real income levels, and exacerbated inflation	Continued execution of energy conservation programme by public corporations with periodic reports to Cabinet on progress. Adoption of a programme for the promotion of energy conservation measures by July 1, 1981.	Semi-annual progress reports beginning 1/81. Programme will be discussed with IBRD prior to adoption
	Continued full transfer of fuel price increases to consumers.	Progress review in April, 1981.
	Completion of rehabilitation and improved maintenance by mid-1982 of existing facilities and upgrading of management with technical assistance from IBRD.	Under continuous review through project supervision.
	Studies of opportunities for increased use of alternative energy sources.	Progress of studies to be assessed in April, 1981.
B. Stagnant or declining export volume.	Expansion of export action programme:	
	1. Sugar increased supplies of fertilizer and spare parts	Review in April, 1981
	expansion of wage incentive programme.	

Economic Issues	Proposed Policy Actions	
	Principal Measures	IBRD Monitoring
	2. Rice increased use of agricultural inputs	Review through monitoring of investment programme.
	continued progress in extension, storage and irrigation	Review in April, 1981
	continuation of USAID technical assistance programme	
	3. Bauxite/alumina — earthmoving to enable continuous mining operations	
	plant alumina capacity to be increased by 10% by 1983	
	continuation of programme to reduce time of machinery and rehabilitation of processing plants.	
	4. Non-traditional manufacturers Establishment of Export Development Fund (EDF) to provide foreign exchange and credit to manufacturing sector. The Fund would be operational by February 28, 1981.	Quarterly reports commencing April 1981 to fourth quarter of 1983.
	Appointment of Industrial Development Adviser by July 1981.	Selection in consultation with the IBRD.
	Increase professional staff of Export Promotion Unit to 4 persons by March 31, 1981.	Progress review in April 1981.
	Establishment of Export Promotion Council with representatives from public and private sectors.	Progress review in April 1981.

Economic Issues	Proposed Policy Actions	
	Principal Measures	IBRD Monitoring
	5. Long term export programme Completion of long term export programme by June 30, 1981.	To be reviewed with Bank staff third quarter of 1981.
2. INVESTMENT A. Delays, cost overruns and inefficiencies in the public sector investment.	Continued close monitoring of progress of investment programme. Utilisation of external technical assistance to minimise potential bottlenecks to project execution.	Quarterly reports on progress of investment programme beginning January 1981. Detailed annual investment levels and financing plans to be agreed upon with IBRD. Substantive changes in composition to be reviewed with IBRD quarterly until December 1982.
	Expedition of decisions on contract awards by December 1981.	Progress review in April 1981.
	Delegation of greater authority to project managers by December 1981.	Progress review in April 1981.
	Reorganisation of Ministry of Works to include specialised functions in engineering consultancy and additional construction capacity.	Progress review in April 1981.
B. Declining real levels of private investment.	Clarification and expansion of investment code by September, 1981.	Progress review in April 1981.
	Increase in credit resources available to private sector by December 1981. Promotion of private foreign investment in oil, mineral, and metal exploration and manufacturing.	Progress review in April 1981.

Economic Issues	Proposed Policy Actions	
	Principal Measures	IBRD Monitoring
	Establishment of EDF, Industrial Adviser and Export Promotion Council.	Progress review in April 1981.
3. DOWNWARD TREND IN NATIONAL SAVINGS		
A. Public sector savings 1. Persistent current budgetary deficit.	Continued improvements in tax collection and administration. Rigorous control of current expenditure levels through reduction of subsidies and limitations on increases in public employment.	Progress review in April 1981.
2. Low savings generated by public corporations	Rationalisation of pricing policies for public corporations	Progress review in April 1981.
B. Declining real levels of private sector savings.	Gradual movement toward real interest rates through annual upward adjustments of 1-2 percentage points.	Review in April 1981 of Government's proposed timing for interest rate adjustments.
4. INAPPROPRIATE PRICING POLICIES		
A. Low farmgate prices for rice resulting in a reduction in acreage devoted to the crop.	Completion of study and adoption of system for periodic adjustment of input, farmgate and domestic consumer prices.	Recommendations of study to be reviewed by Bank in third quarter of 1981.
	Further increases of electricity tariffs by 15% in February 1981. Additional measures as required to eliminate GEC's cash deficit by July 1, 1981. Continuous transfer of increase in fuel costs to consumers.	Semi-annual review of electricity and transport tariffs beginning November 30, 1980.

Economic Issues	Proposed Policy Actions	
	Principal Measures	IBRD Monitoring
5. INSTITUTIONAL WEAKNESS A. External debt management	Continued monitoring and increased control over external borrowing of all public agencies.	Progress review in April 1981. Guyana already provides reports to External Debt Division of IBRD.
B. Public Finance administration	Strengthening of coordination at operational levels.	Progress review in April 1981.
	Strengthening of accounting and auditing arrangements throughout public sector.	
	Completion of simplification of import licensing procedures in first quarter of 1981.	Review in April 1981.
6. LABOUR PRODUCTIVITY	Continued efforts to clarify and extend wage incentive scheme.	Progress review in April 1981.
	Extension of on — and off the job training schemes to include middle and senior management and skilled and semi-skilled technical staff	Progress review in April 1981.

FOOTNOTES

[1]This study should be read as part of the author's efforts to deepen the understanding of events in Guyana and disseminate the many fruitful ideas, theses and hypotheses which these events seem to suggest. Other efforts include:
Crisis in Guyana, Ufahamu (forthcoming);
Guyana: The Political Economy of Cooperative Socialism (in *Overcoming Dependence eds.*, A Payne and A. Sutton, Manchester University Press: forthcoming); *State Capitalism in Guyana: An Assessment of Burnham's Cooperative Socialist Republic* (in *Crisis in the Caribbean*, eds. F. Ambursley and R. Cohen, Heinemann, forthcoming); *The Rise of the Authoritarian State* (Monthly Review Press, forthcoming).

[2]This summary draws on the lecture referred to in the previous note.

[3]For further elaboration, see Clive Y. Thomas, *Dependence and Transformation*, Monthly Review Press, New York and London, 1974.

[4]See E. Kwayana, *Some Aspects of Pseudo-Socialism in Guyana*, UWI, St. Augustine, Trinidad, 1976 for a discussion of mortgage-finance type nationalisations. See also my study, *Plantations, Peasants and State: A Study of the Modes of Sugar Production*" (forthcoming) for details of the sugar nationalisations.

[5]See items in note 1. Also Report of the International Team of Observers at the Elections in Guyana, December, 1978, entitled, *Something to Remember*, London 1980; *A Report on the Referendum held in Guyana, July 10, 1978*, by a Committee of Concerned Citizens, Guyana, 1978.

[6]See Clive Y. Thomas, *Plantations, Peasants and State: A Study of the Modes of Sugar Production* (forthcoming).

[7]See, "*The Budget, the Current Economic Situation and the Interests of the Working People*" presented by a 4-Union delegation to the TUC in January, 1977. In the next year the same unions presented another memorandum "*The IMF, The Economic Crisis and the Working People of Guyana: Towards a Solution* to a specially convened conference of the TUC (November, 1978).

[8]G. Standing, "*Socialism and Basic Needs in Guyana*" in *Poverty and Basic Needs*, G. Standing and R. Szal (eds.), ILO, Geneva, 1979, p. 24.

[9]*ibid*, p.44.

[10]*ibid*, p. 52.

[11]This is outlined in some detail in the references cited in Note 1 above: The shortest and most convenient summary is in "*Guyana: The Political Economy of Cooperative Socialism*".