

INTEREST GROUP POLITICS AND
FOREIGN CAPITAL IN JAMAICA

by

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Introduction

This paper is focussing on the economic and political roles of Jamaican capitalists especially since the announcement of the government's philosophy of democratic socialism in 1974. The rationale for the focus is the slowdown of economic activity in the private sector from 1975. We are addressing ourselves to two major questions:

1. What were the capitalist reactions to Democratic Socialism; and
2. How did these affect foreign capital inflows.

A. The Nature of the Jamaican Capitalists

We are using the term capitalist instead of bourgeoisie because, although this group is the owner of productive capital, its behaviour as a class and the nature of its operations tend to place it more among earlier industrial classes than within what is considered the modern bourgeoisie. The group can perhaps be classified as an appendage to the foreign bourgeoisie rather than as an indigeneous bourgeoisie in its own right.

This situation arose from the nature of peripheral capitalism. Apart from the contribution by the bauxite-alumina industry and export agriculture, a significant portion of the private sector's foreign exchange earnings comes from import substitution manufacturing. This type of manufacturing is essentially what has been called the 'screw-driver industry' or the final putting together or processing of mostly (if not all) imported raw materials using foreign technology.

Incentive legislation of the forties and fifties led to the emergence of a local capitalist class or dependent bourgeoisie engaged in such manufacturing activities.

We are further concentrating on the manufacturing and commercial fractions of the Jamaican capitalist class. That class - large and medium capitalists - constitutes 5 percent of the Jamaican adult population [Stone 37], so we are dealing with fractions that are less than 5 percent of the Jamaican adult population. Characteristics of the class as a whole are also applicable to these fractions:

1. They are dependent on foreign inputs for their productive process. Their accumulation base is therefore weak (and small) because the principal productive resources - raw materials - are outside the control of the class;
2. Having been created by the state through incentive legislation, they continue to depend on the state for survival through various incentives - tax exemption and subsidies - and protection by way of restricting demand for imports; and
3. As a result of 1 and 2 this class exhibits a conservatism with regards to its dependent economic position. It does not attempt to alter its mode of production and in this respect resembles the earlier foudal classes.

The competitive nature of the Jamaican political system means that, at least theoretically, the capitalist class must compete with other classes and interest groups for influence over the political process especially as it affects the economy. Leverage is attempted through the activities of pressure groups and the system of political

patronage. The most important medium for politicizing grievances is the political party and various interests have been grouped within each of the two political parties in Jamaica.

Our manufacturing and commercial capitalists are organised in the Jamaica Manufacturers Association (JMA) and the Jamaica Chamber of Commerce (JCC) respectively. Their numbers are represented by both the People's National Party (PNP) and the Jamaica Labour Party (JLP); the larger capitalists by the JLP and the medium-level capitalists by the PNP. While the medium-level capitalists in the PNP tended to exhibit what one can call nationalist sentiments they nevertheless seemed content with protection under the existing status quo.

B. Capitalist Reactions to Democratic Socialism

The context within which the philosophy of democratic socialism was announced was an international monetary crisis and a declining economic situation. The collapse of the Bretton Woods system of fixed exchange rates led to inflationary trends whereas growth in most industries in Jamaica had reached a peak by 1972. In the 1970-1974 period, export agriculture continued to decline, the boom in tourism came to an end by 1970 while investment in the bauxite-alumina industry levelled off. Given the financial crisis and balance-of-payments problems which worsened, the government in 1974 imposed a bauxite levy to improve its revenue position and announced the philosophy of democratic socialism to guide its development efforts.

The basic principles of democratic socialism were (1) rejection of the system of capitalism and (2) the desire to create a classless society. As the Prime Minister and Leader of the PNP explained in his

address to the 37th Annual Conference of the PNP, the government was seeking to increase the power of the majority of people vis-a-vis that of the few which has been the feature of capitalism. This would be achieved through state control of the 'commanding heights' of the economy and worker ownership and participation in the decision-making process of industry. Private enterprise would be allowed to produce the 'general run of goods and services' but this would be with the proviso that the 'capitalist feature of exploitation and superior owner status' was removed [Daily Gleaner, October 27, 1975, p. 1].

Capitalist reactions to Democratic Socialism were influenced by two things; firstly, the uncertainty of the role of the capitalist in the mixed economy; and secondly, the close ties that were developing between the government and the PNP of Jamaica on the one hand and the government and the communist party of Cuba on the other.

The uncertainty of their role in the economy was caused not so much by the original declaration of democratic socialism as by the statements made by various ministers of government, columnists and other contributors to the press and the JLP. For example, one notable journalist proceeded to examine the difference between Marxian socialism and Fabian (PNP) socialism and concluded that the difference was only in the way each was arrived at. In both cases socialism meant ownership of all the means of production and the non-existence of private enterprise, trade unions, free press, democracy and elections. [Daily Gleaner, November 22, 1975, p. 14]. Another contributor noted that despite denials made by the PNP that it was communist, there was a powerful group of Marxist socialists within the party who had gained

strength and influence and would 'continue to have more and more say in the running of the government'. [Daily Gleaner, November 26, 1975, p. 15]. A former Minister of Government, Allan Isaacs, said after he was forced to resign from the government, that the PNP was being unduly influenced by unelected persons who aimed at introducing Communism Cuban-style in Jamaica [Daily Gleaner, February 5, 1976, p. 10].

The disquiet within the private sector led several ministers including the Prime Minister to affirm adherence to the mixed economy. At the same time however, other prominent party members were engaged in anti-private sector rhetoric. Inconsistency of statement was evident. On one occasion, Minister Patterson told representatives of the JMA that the government was committed to a mixed economy that was not the transitional stage to something else [Daily Gleaner, September 12, 1975, p. 24]. On another occasion, the Prime Minister told Parliament that Democratic socialists had to direct their efforts away from the capitalist model of socio-economic and political organization and towards consolidating the transition to socialism [Daily Gleaner, January 21, 1977, p. 13]. In that period, economic and political power of the private sector or rather of the larger capitalists would diminish since the government would assume 'commanding control' of the economy and society. In another instance, the PNP's Youth Organization (PNPYO) called on the Prime Minister to remove the Governor General from office after he spoke to the Masterbuilders Association on the state of the nation, saying that the future of Jamaica was threatened by contradictions in the behaviour of all concerned. The Governor General's position received support from a

number of persons and organizations including the JMA and the Small Business Association. [Daily Gleaner, November 19, 1975, p. 2 and November 21, 1975, p. 1].

Capitalist responses to the various statements and to the uncertainty of the situation as it affected the private sector were channelled through the JMA and the JCC. The President of the JCC, at its monthly meeting, expressed surprise that the government was exhorting capitalists to produce more while denouncing the very system of capitalism. This ambiguity was the main reason for panic in the private sector and a cautious attitude toward investment. Their course of action was expressed thus:

'We in the Chamber (JCC), stand prepared to monitor this situation and defend our way of life, for this is the sort of ambiguity of the present policy of the government that is destroying the confidence that many enterprising Jamaicans have had in this country.' [Daily Gleaner, October 24, 1975, p. 29].

Capitalising on the fear and instability of the private sector the JLP spearheaded the attack on the PNP's democratic socialism. Three months after the announcement of the new philosophy, the JLP made its first public response. Its Leader Seaga speaking at a public meeting, challenged the government to hold general elections in order to determine whether the people wanted socialism. He later warned that the government was subtly making way for communism. Ways and means would therefore have to be found to awaken people from their numbness and insensitivity. [Daily Gleaner, November 3, 1975, p. 1 (headlines)].

The PNP's socialist philosophy was significant by itself.

Coupled with the close relationship that was developing with Cuba, it assumed a sinister aspect. Manley's official visit to Cuba in 1975 was viewed negatively by the JLP leader. Part of the Jamaica-Cuba agreement was the construction by the Cubans of a secondary school at Twickenham Park and the building of 300 micro-dams by Cuban engineers. The JMA was against the building of the school by 280 Cubans on the ground that there was unemployment in the building industry. The JCC also opposed the coming of the Cubans. The President told a monthly meeting, 'we might be letting in a wooden horse of Troy!'. He also questioned whether Jamaica would not in fact be the recipient of Soviet aid through the back door since Cuba was being financed by Russia [Daily Gleaner, January 16, 1976, p. 1 and January 21, 1976, p. 1]. To further add fuel to fire, the Deputy Leader of the JLP, claimed that he had positive proof that Cubans versed in espionage were infiltrating the Jamaican society [Daily Gleaner, February 16, 1976, p. 1].

Although policy statements, rumours and the Cuban connection were undoubtedly responsible for the negative attitude of the capitalists to investment and increased production, there is another element that had a significant impact on economic activity. Some businessmen and investors, especially small and middle-level capitalists who traditionally supported the PNR, were willing to operate within the mixed economy of democratic socialism but the upsurge of violence from the beginning of 1976 was a deterrent. According to the Gleaner editorial of January 12, 1976, violence was affecting the survival of the private sector.

After the spate of industrial unrest in 1975, the (political)

violence of 1976 brought private sector economic activity to an almost complete halt. Under these conditions capitalists would prefer to run down their assets and depend more on bank and trade credit. They would also try to get as much money as possible out of the country.

[Daily Gleaner, January 12, 1976, p. 8].

Government's response to the uncertainty and problems of the private sector was to increase the Export Credit Scheme in 1975 from \$5 million to \$7.5 million despite the fact that the facility was 40 percent underutilized [Daily Gleaner, September 12, 1975, p. 24].

In 1976, government relaxed some of the restrictions it had placed on the manufacturing sector since 1975. It also offered greater incentives to that sector, some of which were:

1. As of 1st June, 1976, the Bank of Jamaica decided to reduce the rate of discount to exporters from 7% to 6%;
2. An order was signed permitting the implementation of the Special Export Incentives Scheme; and
3. The government's tax exemption policy on raw materials would, effective from April 1976, operate to benefit all manufacturers with the exception of manufacturers of alcoholic spirits, cigarettes and jewellery [Daily Gleaner, May 31, 1976, p. 1 (headlines)].

A Green Paper was also issued setting out a framework for the development of the manufacturing sector for 1976-1980. The Government's objectives were to achieve:

1. The creation of 40,000 jobs in the manufacturing sector,
2. A growth rate of 10 percent within the sector; and

3. Development of the sector to permit a 30 percent annual increase in the volume of exports of manufactured goods. Emphasis was placed on the manufacturing sector because of government's need to increase employment as well as the country's foreign exchange earnings. The strategy to be used was to encourage the development of local resource-based industries.

Despite the various incentives and reassurances offered by the government, its relations with the private sector did not improve. The millions of dollars which the government pumped into the economy did not stimulate the private sector into increased production. Instead, it served to increase imports. The Gleaner editorial of July 16, 1976 attributed this failure to the 'loose talk' about socialism. The President of the Jamaica Development Bank (JDB) accused some capitalists of dishonesty and irresponsibility in refusing to cooperate with the government in its attempts to revitalize the economy. Some of the money that was disbursed under the Export Incentives Scheme had been used by some recipients to buy consumer goods, foreign currency to export illegally and to emigrate, among other things. About 62 percent of those who benefitted under the scheme were in arrears. Some of them could not be found, which meant that the government had to write off those debts [Daily Gleaner, July 16, 1976, p. 1]. The private sector therefore has not effectively utilized the export and credit facilities that were offered by the government.

The Gleaner editorial of September 15, 1976 attributed the crisis in the economy to the private sector. Some capitalists had emigrated with as much money as they could get out. The ones who remained adopted a position of passive resistance. They hoped to

embarrass the government and cause it to lose the general elections in December 1976.

The action taken by the capitalists to counteract the threat of democratic socialism was to consolidate their class position and regroup politically. The proliferation of capitalist interest groups and the absence of effective leadership representing the interests of the class as a whole led to the emergence of the Private Sector Organization of Jamaica (PSOJ) in March 1976. The PSOJ is an umbrella organization embracing the various interest groups such as the JMA, the JCC, the Small Business Association, the Jamaica Employers Federation etc. The President is the Deputy Chairman of the Grace Kennedy Group of Companies whereas the three Vice Presidents are Directors of the Gleaner Newspaper, Commodity Services Ltd. and the Small Business Association. The representative from the Small Business Association later resigned.

What is significant about the formation of this organization is its reflection of the change in relationship between the government and capitalists in Jamaica. In the past, capitalists pursued their individual interests and depended on political patronage. Some large capitalists like the Matalon Group, managed to secure positions as functionaries of government in various state agencies [Stone I]. From the mid-seventies they regrouped as a class to pursue their collective interests in opposition to a government that was perceived as championing the interests of other (oppressed) classes.

Something almost similar occurred in the period before the 1972 elections. In May 1969, the (JLP) Government presented a reform budget whose objectives to change the tax system as it related to

companies. Companies were to be separated from shareholders for income tax purposes; they would have to pay an annual registration fee; and foreign-owned companies would have to pay a withholding tax on payments to principals abroad [Daily Gleaner, May 9, 1969, p. 1]. These policies disturbed private sector interests who adopted a wait-and-see attitude until the laws were passed. The Jamaicanization policy of the then Minister of Finance, Seaga, also caused anxiety. Five powerful interest groups submitted a joint memorandum to the government in 1971 seeking clarification of government's policy regarding local investment. They were influenced particularly by the Guyana bauxite nationalization and threats by the Jamaican Minister of Public Utilities to nationalize the public utilities. The policies of the Government appeared sinister because of the action taken by the Guyana government [Senior 5, pp. 28-30].

Politically, the local capitalists realigned themselves with the JLP who announced a new philosophy of nationalism towards the end of 1975. This was simply designed to focus on national solutions to Jamaica's problems and to counter the foreign doctrine of socialism. Its function was similar to that of the PNP's policy of economic nationalism which was announced in October 1969 at a time when capitalist interests were wary of the (JLP) government's taxation and Jamaicanization policies. Economic nationalism was concerned with achieving economic independence but not through the mechanism of nationalization. Local participation and national self-reliance were the key features. The JLP's nationalism was seeking to restore the economic status quo of the pre-PNP period and to pursue development through the mechanisms of the market system and foreign investment.

The JLP would restrict state ownership to things like utilities whereas commercial and industrial enterprises would remain within the domain of the private sector.

Leading capitalists, such as Douglas Vaz President of the JMA, who were also spokesmen for the capitalist class, entered directly into leadership positions in the JLP. Most of these were small and medium level capitalists, groups that traditionally supported the PNP and its nationalist policies. They were however speaking for the whole class of capitalists who were trying to re-assert their dominant position in the economy and society. As such their role was essentially conservative. The JLP thus became an instrument of militant capitalists with right-wing tendencies in like manner as the PSOJ to defend their interests against what they perceived to be a left-wing takeover of the economy and society. To assist with this campaign and to mobilize Jamaicans abroad a new arm of the JLP was formed - the Jamaica Freedom League. Branches were to be established in the U.S.A., Great Britain and Canada.

Although the JLP lost the elections in 1976 and the private sector pledged to co-operate with the PNP Government, class polarization had already been established in the society. The PNP's interpretation of its victory at the polls as a mandate to pursue more 'radical' socialism did not help matters. The rift between the government and the private sector remained and indeed widened after the 'leftists' in the PNP assumed positions of power in the government. What happened from 1976 was a progressive worsening of the economic situation which led the government to seek assistance from the IMF. Adherence to IMF terms and the continuation of socialist rhetoric was a disastrous

combination. We shall not attempt to document the events leading up to the PNP's defeat in 1980. The basic point has been made, namely, that the local capitalists regrouped as a class in both economic and political terms between 1974 and 1976 when the philosophy of democratic socialism was announced and close ties were being established with Cuba.

C. The Effects of Democratic Socialism and Capitalist Reactions on Foreign Capital

Foreign capital inflows have been traditionally important to the Jamaican economy because local surplus has been inadequate for financing growth and development efforts. The investment climate is therefore a significant variable in the foreign capital equation and politicians have over the years placed great emphasis on maintaining political and social stability in the country.

Net capital inflows increased significantly between 1972 and 1974; from J\$59.8 million in 1972 to J\$221.1 million in 1974. These, however, declined considerably between 1975 and 1976; from J\$189.9 million in 1975 to J\$41.5 million in 1976. The situation improved somewhat in 1977 when net inflows increased to J\$51.7 million but declined thereafter to the point where there was a net outward movement of J\$10.4 million in 1979. The decline in total net inflows was due largely to significant decreases in private capital inflows. Net private inflows were reduced from J\$139.2 million in 1974 to J\$77.0 million in 1975. In 1976 there was actually a net outward flow of J\$30.5 million.

The decline in private capital inflows can be related to the philosophy of democratic socialism which was announced in 1974 and to the local capitalist reactions to that philosophy as well as to the forging of ties with Cuba between 1974 and 1976. On a visit to Miami

in 1975, the leader of the JLP predicted 'a sharp leftward movement' for Jamaica under the PNP for the next year or two. The two critical events influencing this trend were cited as (1) Manley's pronouncement that the government was socialist and (2) the visit by Manley to Cuba in 1975. Seaga saw the contacts that were being established, especially between PNP and Cuban Communist Party Officials, as importation of ideology /Daily Gleaner, September 5, 1975, p. 127.

The escalation of violence in early 1976 had a negative effect on the tourist trade. Reports in the foreign press on the violence and ideological debate as well as some tourist perceptions of the effects of democratic socialism would undoubtedly have had an unfavourable effect on foreign capital coming into the island. An Associated Press report coming out of New York on May 17, 1976 quoted a Wall Street Journal's article of the same day which stated that present trends in the Caribbean were worrying U.S. companies which had a stake in the region. The Journal noted that 'nationalism' and 'Castro' were the bugbears to investment. Some observers expressed the belief that Jamaica, despite its strong two-party system, outspoken free Press and heavy dependence on the U.S., could very well become a Cuban satellite.

Another article entitled 'U.S. Investors and Jamaica', published in the New York Times and reprinted in the Daily Gleaner of August 6, 1976 noted the uneasiness of American businessmen over recent political violence and the leftward course of the Jamaican Government. As a result of these trends the businessmen were taking a cautious approach to any new investment in the island. As a spokesman for a large American Corporation with extensive interests in Jamaica remarked; "We don't want to get caught like the boys in Cuba, where they could take out a suit-

case and that was it". Thus, American investors were viewing Jamaica as a potential Cuba.

The concern about investing in the region was also expressed at a conference of businessmen in Tampa, Florida. The focus on Jamaica has come mainly from the U.S. particularly New York and Miami. This is on account of the significant business traffic between Kingston and these cities. The local capitalists and members of the middle class have contributed to the negative view by foreign capitalists through (1) 'smuggling' money into Miami and (2) influencing elite opinion by way of the press.

Although precise figures are not known, it is thought that over \$200 million have been exported illegally from Jamaica between 1974 and 1976 resulting in a serious foreign exchange crisis. Most of the money was invested in real estate and banks in Miami. A Bank-of-Jamaica official said that some of the illegal export has been accomplished through over-invoicing of imports, under-invoicing of exports and the use of tourists as couriers. [Daily Gleaner, July 14, 1976, p. 10].

The capitalist reactions to democratic socialism and the Cuban question were given adequate coverage by the Jamaican press, notably the Gleaner. That newspaper has an overseas issue through which local elite opinion can be transmitted to foreign elites. Jamaican businessmen and JLP activists were also able to influence opinion in the U.S. through the American Press and the circulation of pamphlets.

The events of 1974 to 1976 had a direct effect on the volume of private capital inflows. However, we cannot say that foreign private investment was affected. It has been difficult to obtain data on direct investment and more so on the sectoral distribution of such investment.

We can say generally though, that foreign private investment in Jamaica - mainly U.S. - tapered off from 1969 due to the completion of bauxite-alumina expansion projects. Foreign private investment in sectors such as manufacturing and distribution has been relatively insignificant. The drop in private inflows in 1969 can be partially attributed to this levelling off of investment. It would seem that private inflows were also affected temporarily by the investment climate which resulted from the government's announcement of its taxation and Jamaicanization policies; the local stock market was depressed between 1969 and 1972. [Senior, p. 29].

Private foreign investment does not seem to have been significantly affected by the socialist trend of the seventies because, in any event, direct investment flows to developing countries from the U.S. which is a major source, have been declining during the same period. Yet, American officials are of the view that foreign private investment is the only major source of funds which can meet the needs of the Caribbean region because bilateral and multilateral sources are inadequate [U.S. Subcommittee Hearings 6]. This is significant when we consider that most of the foreign capital that came into the country was not channelled into investment but spent on consumption instead.

Official capital inflows increased significantly between 1972 and 1975 reflecting the PNP government's reliance on official rather than private funds. During the sixties, the JLP government tended to rely less on official and more on private sources of finance. This was partly because of the considerable reduction in the overall loan assistance programme of the U.S. Government and the unavailability of low interest loans from U.S. government sources. It seems also that the

Jamaican government saw most of the foreign loans as liabilities and not assets [Daily Gleaner, September 19, 1969]. As far as U.S. official loans were concerned, these declined considerably from the early sixties and became non-existent by 1969. On the other hand, the PNP government significantly increased its official borrowing during the seventies, but the sources were more diversified than before. U.S. official loans constituted a relatively small portion of that sum - about 14 percent between 1975 and 1976. The PNP government's socialist stance and its Cuban policy had a direct effect on official capital inflows from the U.S. between 1974 and 1976.

USAID assistance to Jamaica declined from US\$9,856 in mid 1974 to US\$556 in mid 1975 increasing only slightly to US\$872 in 1976. PL 480 credits also declined from US\$1,800 in 1974 to US\$1,600 in 1975 and US\$1,367 in 1976. It was reported that USAID turned down a request from the Jamaican government for a US\$2.5 million food grant in 1975 and refused to lend it more funds until the Manley regime altered its stance. Further action was taken in 1976 when the U.S. Eximbank lowered Jamaica's credit rating from a top to bottom category [African Mirror, No. 10, October 1978, p. 43]. The situation improved considerably in 1977 and 1978 when AID assistance and PL 480 credits increased by huge amounts; for example, AID assistance from US\$872 in 1976 to US\$11,107 in 1977 and PL 480 credits from US\$1,367 in 1976 to US\$12,135 in 1977.

U.S. perception was that the PNP's democratic socialism reflected Manley's commitment to the extreme left wing of his party and his 'adulation of Castro' [U.S. Subcommittee Hearings, 7]. The U.S. had maintained a traditional hardline policy in respect of Cuba because of Cuba's attempts at subversion in Latin America. Most of the

Latin American governments severed relations with Cuba for the same reason. The international climate changed considerably in the early seventies and this allowed the emergence of radical policies in the Caribbean and Latin America. By mid-1975 the OAS had lifted the ban against Cuba and four major Caribbean territories established relations with that country. However, the U.S. capitalist interests had viewed the PNP government's relationship with Cuba as evidence that Jamaica was becoming communist.

The improved aid situation between 1977 and 1978 can be attributed to the PNP's victory at the polls in 1976, the assertion of power by the moderates in the PNP and Carter's Caribbean policy. The New York Times Editorial of December 21, 1976, commenting on the General Elections in Jamaica, said that Manley's victory demonstrated people's belief that the PNP is not communist and its ties with Cuba will not result in Jamaica moving towards socialism. The editorial further advised the U.S. government to assist Jamaica in creating stability. Under the influence of the PNP moderates the Jamaican government sought the assistance of the IMF. Within this context U.S. aid flows to Jamaica increased as Carter sought to compete with Cuban influence by strengthening democratic government and preventing the rise of a radical anti-U.S. Jamaican government.

The situation changed after 1978 when the IMF programme failed and the PNP leftists were again ascendant. Manley's anti-imperialist speech at the Non-aligned Summit in Havana in 1979 antagonised the U.S. administration which had to face the American electorate in the following year. Various other incidents involving the Gleaner and the Cuban Ambassador led to a progressive worsening of relations between the PNP

government on the one hand and local capitalists and the U.S. on the other.

D. Conclusion

We tried to show in this paper how Jamaican capitalists, a traditionally conservative and dependent class, react when they perceive their interests to be threatened. That class is made up mostly of medium and small capitalists and represents about 5 percent of the Jamaican adult population. It exhibits conservatism both in terms of investment and structural changes in the Jamaican economy and therefore has more in common with the earlier feudal classes than with the modern bourgeoisie.

The capitalists' reaction to democratic socialism and the Cuban connection was fear, uncertainty and then militant opposition. Their passive resistance in respect of investment and increased production and their export of capital had a disastrous effect on the economic situation leading to a foreign exchange crisis. However, it is doubtful that had they co-operated with the government the situation would have improved significantly. Local capitalists were not as enterprising as foreign investors; they preferred to invest in 'safe' areas which did not involve a lot of capital and risk. Most of the private capital inflows over the years have not been invested in productive areas but spent on consumption instead. This sort of practice along with the government's policy, which also for a different reason resulted in non-productive investment, might have led to a situation that would eventually not have been significantly different from the actual one.

The ideological debate sharpened class consciousness with the

capitalists regrouping with a single voice to defend their class interests against democratic socialism. They also realigned politically to challenge the power of the PNP government which was regarded as leftist. This development occurred because the old system of pressure-group politics and political patronage was no longer operating in their favour. The local capitalist class was created by state policy of the post-war period. Individual capitalists as well as capitalist interest groups have successfully managed during the sixties to influence state policy in their favour. They were still able to do this during the seventies as evidenced by the various incentive schemes and subsidies instituted by the PNP government. However, this was inadequate. They perceived themselves as powerless to influence the political process which under democratic socialism threatened their very existence as a class. Their conservatism precluded analysis which would have shown the PNP's socialist rhetoric to be largely symbolic and without substance.

[Stone 4].

The capitalist's reactions to and perceptions of democratic socialism did have an adverse effect on both private and official (U.S.) capital inflows. This was transmitted through the media of the press, local capitalists travelling to the U.S. and JLP party campaigners. The migration of many capitalists and members of the middle class to the U.S. as well as the illegal export of capital to the country further exemplified the seriousness of the Jamaican situation regarding a communist takeover.

Although the capitalists' influence was significant, the PNP officials themselves, including the Prime Minister, contributed in no small measure to the negative attitude of foreign governments and

foreign capitalists with their socialist rhetoric, ambivalent policy statements, belligerent attitude and inability to control the upsurge of political violence in the country after 1975. This was largely due to the weakness of the party and its inability to formulate and implement decisively policies aimed at transforming the economy. Of significance also was the international climate which had begun to favour a swing to conservatism. This helped the local capitalists to prevent economic changes which might have altered their relationship with both the state and foreign capitalism.

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