Most of the developing countries, especially in the Latin American and Caribbean region, had to face severe economic crisis in the decade of the 1980s. The crises was characterized by heavy external debt burden and rise in the servicing of the debt, along with inflationary pressures. With the sources of external borrowing becoming scarce, most economies -- having slowed down in the past few years -- began faltering, even registering negative rates of growth. Different interpretations as to the causes of the crisis have been put forward. The neo-classicals, who advocate the efficacy and efficiency of market mechanism in stimulating growth, argued that the micro-economic inefficiencies, misallocation of resources and supply-side deficiencies in the developing countries themselves were the causes of the crisis. In essence, they blamed the structural deficiencies, in fact, the entire premier of the ISI strategy of development. Besides, the international lending agencies such as the IMF and World Bank, there ideas came to be associated with economists like Mela Balassa, Jagadish Bhagwati, Malcolm Knight, Mohsin Khan and others.
A second set of analyses emanated from the structuralists, that is, those who favoured an inward-oriented rate-led industrialized model of development. To them the major external shocks were responsible for the economic malaise of the LAC countries. These external shocks are largely the consequences of the recessionary trade in the developed economies and the changing nature and pattern of financial flows in the LAC countries. The slowdown in global economic activity, especially in the early 1980s, affected economic and industrial development in the developing countries through a number of channels: reduced demand for commodities of the developing countries and mineral exports; fall in commodity prices; increase in real interest rates and debt service payments; fall in the quantity of official development assistance and other capital flows to the developing countries, resulting in a negative transfer of resources in 1984 and subsequent years. The surge in petroleum producers' earnings in 1974 and 1979 coupled with changes in international financial markets had produced dramatic increases in the flow of commercial banks' credit to the developing countries, especially those at intermediate stages of industrialization. Much of the lending carried maturities of five to ten years, and floating rates of interest tied to LIBOR, or the US prime rate. The tighten-
ing of macro-economic policy by the US and other advanced nations following the oil price hike of 1979 increased the debt burden of the developing countries, with US prime rate rising to 21 per cent. Countries with large debt burdens at varying rates of interest found debt servicing devouring much of their export earnings.

It has been maintained by the critics that the crisis was largely caused by global factors over which the developing countries had little control. The balance of payments constraint led to a comparison of imports, directly affecting both agricultural and industrial production and indirectly affecting exports through shortage of intermediaries such as spare parts, fuels, etc. Disequilibria in the real economy in turn generated inflation and disequilibrium in government finances, and the balance of payments crisis soon translated itself into an acute fiscal crisis, with serious consequences for economic, social and political stability, as well as for investment and future growth.

With the LAC countries still adhering to the state-led ISI model, some of the stabilization measures that had been adopted to overcome the crisis failed to bear fruit either in terms of servicing the debt or in terms of recovering the growth rates. Thus by the late 1980s, it became imperative on the part of these
countries to adjust their economies to overcome those structural deficiencies which had beset them. Economic restructuring while to an extent forced by the existing economic situations, was also significantly at the instance of the lending agencies, US government and nearly all the developed countries.

Being an open economy, Jamaica had been pursuing liberal economic policies until the 1970s. With the onset of bauxite mining in the 1940s, Jamaica entered a period of rapid economic modernization and diversification without, however, changing drastically the features of a plantation economy. The New World Group (NWG), consisting of radical intellectuals of the West Indies, had underlined the need of structural reforms and state regulation of the bauxite economy before Jamaica could really do away with its dependent plantation economy. The pursuit of 'industrialization by invitation' though led to the structural changes in the economy as reflected in the changing composition of the GDP, and further to positive growth rates albeit fluctuating ones, the distortions in the economy reflected in low agricultural output, dependence on imported foodstuff and widespread poverty and unemployment, were deeper than before.

The cumulative changes in the economy were leading to greater political demands on the system. The outbreak of the
Black Power movement and the revivalist Rastafarian movement mirrored the widespread discontent in the society. The ruling PNP had, therefore, to address itself to the rising political discontent at a time when bauxite led boom had come to an end. PNP's response to the multiple crisis was in the form of democratic socialism.

The enclave nature of the bauxite industry had created economic disparities; besides unemployment and lack of an internal dynamic of growth. The PNP which came to power in 1972 had promised to remove the economic disparities. The initial years of the government were attempts to create employment opportunities through public works programmes. In addition to domestic initiatives, the government also took steps to change the long-standing relationship between the Jamaican government and the foreign-owned bauxite industry. A principal source of economic growth, the contribution the bauxite industry made to the well-being of the country was limited given the fact that it engaged in only limited processing of the bauxite in Jamaica itself. Aside from labour, it was very little from the local economy. So, also the industry remained undertaxed. It was to correct this latter problem that the PNP government decided to renegotiate the contracts with the six North American aluminium companies operating in Jamaica. The government was
motivated with two goals: to increase the level of revenue received by the government from the bauxite operations and to establish governmental equity share in the industry. Presumably, the intention had been to gain a voice in managerial decisions in the industry and in this way increase the stimulus the industry contributed to the overall economy. However, the companies did not respond positively to the government's recommendations. As such, the government was compelled to impose a production levy unilaterally, after taking into confidence the Canadian and US official concerned. Though the government was able to increase the tax yield derived from the industry, it failed to achieve a decisive voice in production decisions.

It was in the context of its negotiations with the bauxite companies that the PNP government announced its commitment to democratic socialism. It was intended to demonstrate the government's seriousness of purpose in the negotiations and in that way increase its bargaining leverage with the bauxite companies. Thus, democratic socialism resulted more out of economic nationalism and welfare statism. Democratic socialism, as exposed by PNP was distinct from scientific socialism in the sense that it, even while rejecting capitalism as its economic philosophy, accepted private property as an integral part of the economic system.
As for its foreign policy, the PNP identified itself with Third World countries, besides developing close relations with Cuba and other socialist countries. State expansion was the thrust of democratic socialist policies. The policies were viewed as measures to overcome foreign and domestic domination over the economy by the capitalist.

But the foreign exchange crisis since the mid-1970s, caused largely due to structural factors in the form of end of the bauxite-alumina investment cycle, import price inflation of falling export production and political factors such as flight of capital, sabotage of tourism by US media, decline in bauxite exports due to retaliation by the companies, served as an obstacle to the implementation of the government's socio-economic goals. With foreign assistance from friendly countries not forthcoming, the government had little option but to approach the IMF. Such a stance was in opposition to the government's avowed objective of democratic socialism. It led to an ideological conflict within the party, as in the 1940s, leading to the purge of the left wing elements. Since then the government's policies and programmes, to a large extent, were influenced by the conditionalities stipulated by the international lending agencies, notably the IMF.
To the IMF, the economic crisis was the outcome of the mismanagement of the economy by the PNP. The IMF's line of credit was conditional on the institution of a programme of anti-labour measures comprising of a wage freeze, a 40 per cent devaluation of the national currency, and a drastic reduction in public spending. Moreover, the PNP had to agree to a programme of adjustment where main elements included drastic cut in real wages, severe compression of demand and retrenchment in the public sector. Such policies would only alienate the poorer classes, those groups who formed the broad urban bases of support for the PNP's social and economic initiatives - while appearing those middle and upper class groups who offered its democratic socialist programmes and policies. The capitalist classes who had supported the government on the question of bauxite levy now opposed the government. While in the case of the bauxite levy, it was perceived that the huge benefit would accrue to it whatever deal the state made with the companies.

However, in the confrontation with the IMF, the private sector turned against the state, which in its view had become too interventionist. Taking advantage of the situation and having the support of the private sector and JLP leadership, the IMF as well as private investors withheld capital from the state, thus virtually tying the hands of
the government. The poor people and the unemployed, who relied on the government, for favours could not bear the hardships created by the shortage of capital and they began opposing the FNP. Though the economy lived up to nearly all the IMF strictures, it had failed to meet one condition: it had not kept to a ceiling of J $355 million in domestic bank assets. That ceiling had been exceeded by 206 per cent. Then the first stand by was canceled and in its place the IMF insisted that Jamaica negotiate an ERF, which involved major and drastic economic adjustments such as imposition of additional indirect taxes, lifting of controls on prices, rise in price level by 40 per cent in the first year and limiting wage increases to 15 per cent. These measures had an immediate and drastic effect on living standards. Real wages had fallen and there was a decline in the share of labour income in the national income. The balance of payments further worsened owing to increases in outflows for interest and repayment on private and official debts. Neither was there an improvement in the level of investment, nor did the GDP show positive signs of growth. The socio-economic problems aggravated culminating in the defeat of the party at the 1980 elections. This clearly brings out the options available to a government in dependent economic situation; which had to give up the alternative model of
development in the form of democratic socialism.

Seaga took a number of measures in compliance with IMF and World Bank conditions. Prominent among these was the devaluation of the Jamaican dollar. Drawing from the Puerto Rican model of development, it was thought that by cheapening the cost of labour, foreign investors could be attracted to the inland country. These firms would produce for export. Alongside, the economy would undergo structural adjustment to save foreign exchange. This involved retrenchment of public sector employees. Subsequently, spending on social services were curtailed.

In keeping with the policy of deregulation, the restrictions imposed on imports by the Manley government were removed. Such a step had been taken in the name of efficiency and promoting competition.

Initially, buoyed by foreign aid and loans, the economy did show positive signs of growth. However, by 1983, negative signs began appearing. Investments were not forthcoming, and growth remained stagnant. Yet, by the end of the year, external debt reached $1 billion.

During this period the traditional bauxite sector was in decline. After 1980, as world recession depressed demand for aluminum, the US began closing the smelters that had refined Jamaica’s ore. The aluminum multinationals were
moving out of the Caribbean, seeking cheaper bauxite elsewhere, leading to a decline in production.

While export earnings fell, the level of conspicuous consumption had increased. The end result was a tripling of the country's trade deficit. The surge of imports in the early 1980s affected the local producers, who were forced to either lay off workers or close down. The level of unemployment thus rose to around 30 per cent by 1984.

As could be observed, with each failure, harsher measures were forced upon Jamaica by the lending agencies. For instance, in 1983, the government had to restrict imports not only of consumer goods but raw materials and spare parts as well. Thus production was affected leading to a spiraling of prices, which caused great social hardships to a vast multitude of people. Decision taken by the government to raise the price of gasoline at the instance of IMF led to social protests in 1985 culminating in the first ever general strike in the history of the nation. In 1986, a team of IMF, USAID, and World Bank Officials recommended more of devaluation and restriction on public spending. In the wake of protests and violence, the government had to reject the recommendations.

What emerges from such a discussion is that Seaga's failure to turn round the economy has disproved the argument
that the PNP's democratic socialism was the cause of the country's problems. On the other hand, by simply returning to the policies of 1970s can provide a solution either. The failure of both Manley's 'moderate reformism' or democratic socialism and Seaga's liberal capitalist policies could not solve the country's persistent problems.

Jamaica, under Seaga, had implemented almost all the measures contained in the Washington Consensus. The early year saw a focus on adjustment through deficit reduction and exchange rate adjustment. Liberalization was a concern from this time, but only later did it gain equal status with fiscal and exchange rate issues. More recently, the social requirements of SAP have come to the fore. The economy seems to have stabilized, but there has been no overall economic growth in the 1980s, and the social indicators have been showing a deteriorating trend.