

A Comment on Neoliberalism in Sri Lanka

W. D. Lakshman

Economic policy reforms introduced around 1977 by the J. R. Jayewardene government have been, without dispute, one of the most important watersheds in the history of Sri Lanka's social, political, and economic development. These were then described as 'open economy' reforms and their essence, in terms of principal policy instances, was maintained relatively undisturbed for the next forty years. This was so in spite of all the complexities of socio-political developments of the intervening period, characterized as these were by major transfers of power between political coalitions on several occasions, and significant changes in personalities holding critical policy making positions interspersed with utterly disruptive and often extensively violent phenomena and processes. Policy changes over time have taken the country deeper into neoliberal conditions. There was, of course, occasional introductions of peculiarly Sri Lankan policy elements to address difficult social issues, e.g. 'poverty alleviation' (*janasaviya* and later *samurdhi*) programmes since the late 1980s. In addition, certain typically Sri Lankan social policies such as free education and health services were continued despite the fact that these disagree with neoliberal user fee logic. Backdoor efforts at privatization of, and introduction of user fees into, these social sectors however, continued. During some parts of the forty-year period, attempts to move away from the neoliberal logic also could be observed, for example during 2009-2014, although there was no systematic incorporation of the 'dissident' views into the fundamental policy framework. There were during this period instances where action was taken to encourage domestically owned enterprises (national capital), ignoring the 'level playing fields' logic of neoliberalism. Similarly not fully agreeing with neoliberal principles, a declaration was made that no state owned enterprise would be privatized. Yet in a fundamental sense, policy directions have remained within the neoliberal framework. Since 2015, under the present so-called hybrid and *yahapalana* regime, the strongest moves so far in the direction of neoliberalism

can be observed including the elimination of the minor remaining restrictions and regulations on international trade, payments, and investment activity. Privatization activity has been enhanced and speeded up to the highest ever level so far.

The Social Scientists' Association (SSA) was in the forefront of critical opinion when Sri Lanka began moving in the direction of a relatively free market capitalist economy from the position of a highly interventionist economy guided by a socialist or social democratic rhetoric. The drastic policy changes announced in November 1977, in the first Budget Speech of the newly elected government, was a direct reaction to the interventionist system developed by the socialist Finance Minister N.M. Perera under Prime Minister Sirimavo Bandaranaike's government during 1970-75, slightly modified in the two subsequent years before that government was defeated in 1977. During this early period in the process of deregulation and liberalization, the SSA was a hive of activity, with members engaged in critical scholarly debate and dialogue about the economic policy moves to deregulate and liberalize. Three notable SSA publications of the late seventies and eighties come to my mind reminding me of these extensive debates over contemporary policy reforms: *Social Science Review* - No. 1 (November 1979); Abeysekera, Charles (ed.), *Capital and Peasant Production: Studies in the Continuity and Discontinuity of Agrarian Structures in Sri Lanka* (1985); David Dunham and Charles Abeysekera (eds.) *Essays on the Sri Lankan Economy, 1977-83* (1987). In 1993, the SSA carried its critical perspectives on the subject to a Conference on Structural Adjustment Policies organized in Washington by the NGO-World Bank Forum. This SSA tradition of critical scholarship around neoliberalism continued throughout the forty year process of its evolution in Sri Lanka. I view the present issue of *Polity* as the latest in the SSA's journey into critical examination of the nature and development impacts of neoliberalism on the global and Sri Lankan scales.

Neoliberalism has become after this forty-year period of evolution and expansion, a hegemonic ideology in a Gramscian sense. In societies where political ideals of individual liberty and freedom are considered sacrosanct and as central values of civilization, large numbers could be converted to become believers in neoliberalism. This was the case in Sri Lanka too in respect of some social groups. Freedom lovers could easily be convinced to believe that neoliberalism, associated as it is with private property and competitive markets, would lead to diffused power and initiative, giving rise in turn to a society in which freedom is effectively preserved. This justification of neoliberalism was at least partly behind the extensive support it has gained in Sri Lanka over several Presidential and Parliamentary elections. No significant proportion of any social group in the country worth talking about seems to have serious fundamental reservations about neoliberalism. These groups favouring neoliberalism, together, seem to form the bulk of the adult and teenage population in the country. For them, as Margaret Thatcher famously said, "there is no alternative" (TINA).

In the early part of the forty years of neoliberalism in Sri Lanka, champions as well as critics of neoliberalism focused mostly on issues pertaining to foreign trade and payments, domestic market deregulation, foreign direct investments, and privatization of state owned enterprises. As the articles in the present issue of *Polity* show, discussions on neoliberalism have now begun to cover many more subject areas than the above – health and education services, financialization, value chains in production, trade related logistics, migration for work and so on. No discussion today about arts and culture, and various long-standing social habits and practices would go without references to globalization and neoliberalism. The bulk of those with any influence in decision making processes take neoliberal globalization as an unavoidable and indisputable imperative.

The record of neoliberalism in stimulating and promoting long-term sustainable economic growth has been dismal according to conclusions of scholars who have undertaken careful empirical work. In Sri Lanka, intermittent moves to intensify liberalization and globalization produced economic growth spurts in terms of the widely used economic measure of the growth rate. The periods of 1978-80 and 1990-93 were examples of such short growth spurts. The former of these two growth episodes was described by me as a case of "beginners' luck" in an earlier study. The neoliberal framework however, could not sustain economic growth at high levels over any significant period of time anywhere in the world at any time in recent

history. In contrast, alternative 'interventionist' policy systems described in the literature as 'developmental states' have not only produced rapid, sustained growth for extended periods of time, but also pushed several countries from low income to upper middle and high income levels. In Sri Lanka, a weak attempt was made – somewhat confused, not adequately focused, and poorly implemented and monitored – during 2010-14 to do things as in a 'developmental state' model, but within a basic neoliberal structure. These five years produced a sustained growth scenario but the regime's fall in January 2015 due to its own critical weaknesses in certain electorally sensitive subject areas, pushed the country back into neoliberalism with a vengeance.

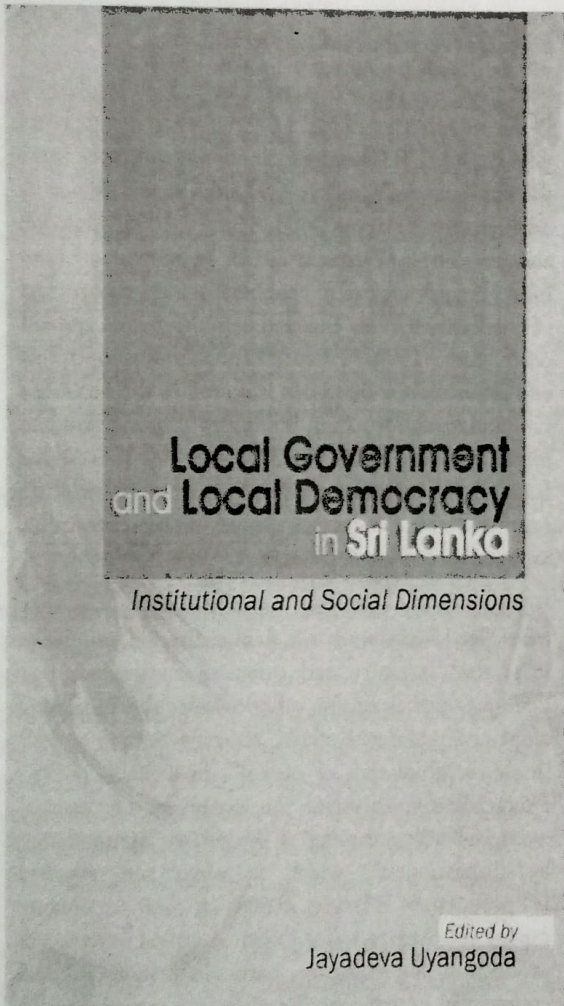
It has been argued by writers like Harvey that the rise of neoliberalism globally signified an attempt to restore class power to the richest strata in the population, saving the ruling classes from aggravating the crisis of capitalism. The main effect of neoliberalism in fact has been redistributive rather than generative. It has caused transfer of wealth and income from the mass of the population toward the upper classes. Globally, there were transfers also from poor and vulnerable countries to richer countries. Wherever it was practiced for a long enough period of time, neoliberalism has produced extreme inequalities in society, leading often to social upheavals. As Harvey argued neoliberalism has remained a process of "accumulation by dispossession". The neoliberal measures which have led to this dispossession included the commodification and privatization of land and the forceful expulsion of peasant populations from their traditional lands, conversion of various forms of property rights (common, collective, state, etc.) into exclusively private property rights and suppression of rights to the commons, commodification of labour power and the suppression of alternative (indigenous) forms of production and consumption, appropriation of assets (including natural resources), and usury, expanded national debt, and the credit system. Careful empirical analyses would establish that Sri Lanka too has gone through these processes to a greater or lesser extent over the last several decades. Distributional patterns have thus worsened in Sri Lanka too with abundant impressionistic evidence of a thin stratum of society having amassed huge amounts of income and wealth.

Neoliberal logic posits that the state and markets are two antagonistic entities, whereas world history clearly shows that these were not so at the practical and empirical levels. The state and markets have worked collaboratively to promote successful capitalist development, with the role assigned to each in this 'coalition' changing

at different stages of development and in different locations. In so far as policies for industrial development recognize the problems developing countries face today as a result of 'unevenness' and 'lateness' in their development, promotion of industrialization must necessarily recognize the complementarity of state and market activities. This has been the case in almost every important historical case of successful industrialization

and sustained growth. The expansion of neoliberalism and widespread recognition of its validity implies that, as Erik Reinert asserted in his *How Rich Countries Got Rich . . . and Why Poor Countries Stay Poor*, the world economic order has come to be "based on an economic theory which 'proves' the opposite of what in fact can be observed".

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Contributors:

A.P. Dainis; Asoka S. Gunawardena; Premasiri Hettiarachchi; Kumari Jayawardena; Rachel Kurian; G.R. Tressie Leitan; Jayadeva Uyangoda

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