

# Sri Lanka - Celebrating “Lost” Four Decades: 1977 - 2017

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The Government of Sri Lanka is planning to celebrate the forty years operation of neoliberal policies introduced in 1977. This also coincided with the Prime Minister's forty years in Parliament. Senani and Kalpa, two of my former students gave me a wonderful gift when they returned back to Sri Lanka for a summer vacation from the New School of Social Research in New York. The gift that is a copy of Arundhati Roy's second novel, *The Ministry of Utmost Happiness*, provided me loads of thought on the subject that I intend to deal with in this essay. Of course her narrative is on India. The following quotation appears to be equally applicable to Sri Lanka's journey in the last four decades through neoliberalism. On page 105, she writes: “The summer of the city's resurrection had also been the summer of scams -coal scams, iron-ore scams, housing scams, insurance scams, stamp-paper scams, phone-license scams, land scams, dam scams, irrigation scams, arms and ammunition scams, petrol-pump scams, polio-vaccine scams, electricity-bill scams, school-book scams, God Men scams, drought-relief scams, car-number plate scams, voter-list scams, identity-card scams- in which politicians, businessmen, businessmen-politicians and politician-businessmen had made off with unimaginable quantities of public money.” If one wants to Sri Lankanize the list she may do some additions and subtractions like karunka scams, pepper scams and of course bond scams.

However, a political economist should and also could not be so nasty and sarcastic as a fiction writer. In 1977, with five-sixth majority in the Parliament, President JR Jayewardene might not have projected that the drastic change of economic policies introduced by him and his new government would have given rise to so many scams by his successors that also include his nephew. His projection was to build a vibrant market-based capitalistic economy emulating Singapore. Since all the governments irrespective of their political colorings adopted the same policy framework with or without minor changes, we have witnessed continuous 40 years of neoliberalism at work. How has this model worked in the last 40 years, 1977- 2017? Does it build a vibrant capitalistic economy in Sri Lanka? In this essay, I shall try to assess the performance of the Sri Lankan economy in the past four decades with regard to the objectives listed by the designers of 1977 policy framework. Nor attempt is made to examine the 1977 policy framework from my personal normative position.

Although 40 years is not an adequate timeframe to make an assessment on that period's place in nation's history, it is an adequate time to give a fairly accurate verdict on the success and failure of the politico-economic policy package. If we look at the capitalistically developed countries in the post World War 2 period, two decades were sufficient to give a fairly accurate verdict as to if those countries were on the path of capitalistic development. President Park Chung-Hee introduced a new policy package in South Korea in 1960. In the 1970s it was very clear where it was heading. Development whatever the setting involves structural transformation. It is a historically proven fact that market in itself is not in a position guiding this structural change. The directionality of capital movement regulated by the government had ensured the movement from light industries to heavy industries, from cheap labor to skilled labor. In some areas, direct foreign investments were virtually banned. In heavy industries, the state came forward as the principal investor of capital. Hence, one may conclude that in modern set up, two to three decades are an adequate timeframe to give a reasonably accurate verdict. For example, waiting till 2000 was not needed in the case of Taiwan or South Korea in order to characterize those economies as developed economies,

What are the crucial criteria that have to be used in forecasting the success or failure of the policy package? There are multiple factors, but I would list most important ones. Here, I do not include the growth rate and the change of per capita income. They are outcomes not causal factors. However, since many economists used them as significant indicators, I may say something on the subject. When I joined the University of Peradeniya in 1970 as an assistant lecturer, my all inclusive monthly salary was Rs 705. Today, a newly recruited lecturer gets about Rs. 70,000 all inclusive. So 100 times increase in the last 40 years. Does those figures give a realistic picture on the performance of the economy? My answer is categorical NO. If we transfer this money value into real value, what we can see is surprisingly opposite. Assume, as it was in 1975, our main meal today consists of rice, two to three vegetables and a small amount of fish. In 1975 such a meal was 60 cents. So the real value of my salary was 1175 meals a month. Today a similar meal is between Rs. 100- 150. If we take Rs 100, the real value of the monthly salary of a newly recruited lecturer is 700 meals. Around 40 per cent reduction in real terms after 40 years of so-called economic growth. It is interesting to note that this simple indicator demonstrates that we have wasted forty years by adopting a neoliberal policy package by all the parties in power.

What are the crucial factors that should be operated in synergy in order to achieve economic development? (1) the direction of the movement of capital; (2) the proportion between productive labor and unproductive labor in favor of the former; (3) the way in which the surplus generated in the production process is used; (4) the change of low skilled low paid labor to high-skilled well paid labor; (5) preference given to national actors over foreign actors; (6) gradual shift to growth-augmented industries.

Since the neoliberalism policy package was first introduced in 1977, none of these critical causal factors were not put into work adequately. Instead of focusing on these factors, the almost all the governments in Sri Lanka focused mainly on the policy reforms imposed by the IMF, the World Bank and the ADB. By 1975, the Sri Lanka had a production structure which was to a substantial extent complex. There were many basic industries (iron and steel, metal, clothing, cement, paper to cite some) owned by the state and light industries owned by the private sector. Instead of having based on this foundation and reforming them addressing their weaknesses, what was done in 1977 was to destroy this structure. The 1977 policies were based on four pillars, namely (1) large state investment on infrastructure in agriculture and energy fields; (2) increasing export of light industrial goods; (3) export of unskilled labor especially to West Asia; and (4) using low-paid unskilled labor. Of course, it may not be incorrect to argue that these pillars are bad for a country that is in its initial phase of economic development until more stronger and advanced pillars are built. It may be sad to note that even 40 years after, Sri Lanka continue to depend more and more on the same pillars. In Latin America the decade of 1970s is known as a lost decade because many countries in Latin America adopted neoliberal policy package. It may not cause a surprise if a future historian brands this period as lost four decades. After taking oath as the Prime Minister of Sri Lanka JR Jayewardene informed the country that he would roll up the electoral map of Sri Lanka. However, he didn't do that. It is ironic to note that President Maithripala Sirisena and his 'Yahapalana Government' promising to uphold democracy in the country have rolled up electoral map with lame excuses in the last 2 1/2 years.

In lieu of conclusion, I wish to quote once again from Arundhati Roy's second novel. What she wrote on page 101-02 is a correct assessment of the Sri Lanka experience under neoliberalism the absence steel factories or missiles notwithstanding. "The world rose to its feet, roaring its appreciation [especially after January 8, 2015]. Skyscrapers and steel factories sprang up where forests used to be, rivers were bottled and sold in supermarkets, fish were tinned, mountains mined and turned into shining missiles. Massive dams lit up the cities like Christmas trees. Everyone was happy."

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- COLOMBO TELEGRAPHE. AUGUST 3, 2017:  
<https://www.colombotelegraph.com/index.php/celebrating-lost-four-decades-1977-2017/>
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