

# Sri Lanka: Many goodies in a bottomless basket

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It is not unusual to have some degree of rhetoric in an election manifesto in a context which is characterized by commodification of almost everything. Politicians, their campaign managers and media are trying incessantly to make the election a business affair that needs loads of money to be spent in the campaign.

Of course, as Prof. Wendy Brown has convincingly argued, this has led to a degeneration of democracy all over the world. However, this is not the issue I wish to discuss in this piece by referring to Maithripala Sirisena's election manifesto that was released to the public on December 19, 2014. My focus here somewhat closer to the focus of the article Dr. Uswatta-Arachchi had raised in a recent article in *The Island*. He was referring to Budget 2015 that was passed by the Parliament by a majority vote. Many proposals in the budget, no doubt, were aimed at forthcoming presidential election. Those promised goodies cost large amount of money and it would definitely have an impact on the actual budget deficit unless they are withdrawn after the election or new revenue proposals are presented to the parliament.

I may disagree with Dr. Uswatta-Arachchi's views on the role of the state and pump-priming strategies. Nonetheless, what he said was correct that somebody should pay the bills. Well the government has an advantage as it can generate money to pay bills the power a business enterprise or individual does not possess. For accounting reasons, when the budget is presented at least some thought should be given to how the expenditure for those goodies are financed. On the contrary, there is no such compulsion when you write an election manifesto. It is interesting to note that the Left parties in good old days explicitly informed how money was to be found to finance government expenditure. Dr. Uswatta-Arachchi referred in his article Maithripala Sirisena's promise that the salaries of the public servants would be increased by \$75 when he comes to power. Back of the envelope calculation will say it alone adds to public recurrent expenditure more than \$1.15 billion a year. That is not the only promise he has made in his election manifesto that would have considerable impact on the government budget.

Moreover, he promises to increase expenditure on health and education substantially. I am in support of all these new expenditure especially expenditure on education and health. I support increase in salaries of public sector employees, especially lower income groups. In my view, the determination of wages, i.e., price of labour power, should not be left for the market. You need not necessarily to be a Marxist to accept this view as it was strongly supported by Austrian-American economic historian Karl Polanyi.

## **No Matching Revenue Proposals**

It would be interesting to calculate how much money will be needed to finance Maithripala Sirisena's election promises. The point that I wish to raise is somewhat different from what Dr. Uswatta-Arachchi has raised. I support more government intervention especially aiming at advancing the welfare of the people. I also believe that the state should proactively intervene to reduce economic inequalities. Nonetheless, I strongly hold the view that if a presidential candidate makes such promises that lead to increase in government expenditure she or he should simultaneously inform the public how she or he proposes to finance such expenditure. In the absence of revenue increasing proposals, the promises made would be empty promises.

Sometimes, absences are more prominently present than what is actually in presence. Why does not Maithripala Sirisena's Election Manifesto include any realistic revenue proposals? In my opinion, this is primarily due to his continuous dependence on and capitulation to the UNP and Jathika Hela Urumaya. At the moment, the total revenue of the government is around 11 per cent of the GDP while total government expenditure is over 22 per cent of the GDP. I hold the view that increasing government expenditure up to 40 per cent would be healthy for the economy provided the government can raise its revenue to the same amount. In the long run, the budget deficit will not be a good policy strategy. Here, lies the difference between Left alternative and the Sirisena-Rajapaksa neoliberal strategy. One may justifiably ask the question if the Left government wants to increase government expenditure to 40 per cent of the GDP, how it would finance the deficit? In other words, how does a Left government increase its revenue? Maithripala Sirisena's manifesto leaves these two questions almost unanswered.

Champika Ranawaka—Will he be the finance minister in case of Maithripala Sirisena's victory?—has a formula and Candidate Sirisena has just copied it verbatim in his manifesto. This formula has a close affinity with Narendra Modi's programme. Whether the economists of Modi government believe it or not, Modi gave a lot of publicity to the idea that bringing black money deposited in foreign banks would give substantial impetus to the economy. Candidate Sirisena proposes: "By stopping mega corruption and waste alone I will act to provide the country with development ten times that of the last six years and provide relief to the people". Anybody who knows ABC of economics or one with just common sense may not accept this theory even though one assumes that corruption and waste are substantial. Modiconomics is not working in India. Nor will Sirisenomics! Some of my economist friends who support Sirisena candidacy told me that MS government would adopt Temesek model adopted in Singapore. I tried to see whether there is at least one sentence on this in the Manifesto but it is not included in the strategy.

## **Left alternative**

Why does candidate Sirisena fail to develop realistic proposal to increase government revenue? I think for three reasons. (1) Candidate Sirisena does not have an alternative policy framework to counter MR government. His supporters have declared that MS government will continue the same development path that was taken by MR government of course with less corruption; (2) MS government following Ranil Wickremesinghe-Charitha Ratwatta policies in 2002-2004 would curtail government expenditure whatever the promise they have made in the Manifesto (3) Future MS government will not change present tax structure which is biased towards upper layers of the society.

An alternative to both Rajapaksa and Sirisena candidacies has to be found elsewhere. Public expenditure, not mainly by government departments but by independent public bodies that control

education, health, culture activities etc) should be increased. To finance that expenditure, progressive taxation system should be introduced and the tax coverage should be broadened. This policy needs not to be identified with socialism. At one point the US taxation for highest income earners was around 90 per cent. Throughout 1960s and 1970s until Reagan came to power it stood at 70 per cent. Ronald Reagan reduced it to 30 per cent. I just mentioned this to show the present tax structure is a product of neoliberalism. MS does not plan to cross the neoliberal bridge. In such a context his promises would not go beyond empty phrases.

**Sumanasiri Liyanage**

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\*[http://www.island.lk/index.php?page\\_cat=article-details&page=article-details&code\\_title=116463](http://www.island.lk/index.php?page_cat=article-details&page=article-details&code_title=116463)

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