

Sri Lanka: Liberalisation and political decay

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While corruption, nepotism and the politicisation of state institutions figured centrally in the lead up to the presidential elections, the Opposition's economic policy orientation remained unclear. As the election campaign gained momentum with criticism of the Rajapaksa regime's economic development policies, some actors such as Ranil Wickremesinghe hinted at the need for more liberalisation. However, JHU inside the coalition and the JVP with its own anti-regime campaign became critical of the massive infrastructure build-out on foreign borrowings over the last few years.

Nevertheless, the central message attacking the Rajapaksa regime was that political decay had undermined the economy.

This is not the first time, rather, since the open economy reforms of 1977 many have claimed it is political decay that has led to the problems with the otherwise sound liberalisation policies. In an important paper analysing the course of liberalisation in Sri Lanka from the late 1970s into the late 1990s, David Dunham and Sisira Jayasuriya made the contrary analysis that liberalisation and political decay are inextricably linked. (See: Dunham, David and Sisira Jayasuriya. "Liberalisation and Political Decay: Sri Lanka's Journey from Welfare State to a Brutalised Society". ISS Working Paper Series 352, 2001: 1-20.)

This is what Dunham and Jayasuriya had to say about Sri Lanka 14 years ago:

"The liberalisation process neither reduced nor eliminated rent extraction: on the contrary, it expanded the opportunities that existed on a quite unprecedented scale. Politicians, state bureaucrats and a new group, the military and police hierarchy, found fertile ground for large scale self-enrichment through the control of state power. However, since these opportunities were threatened by existing political freedoms, potential public scrutiny, and normal democratic processes, incentives to undermine legal and political freedoms and institutions grew. Once locked into this path, those in control of the state ensured that the economic reforms were designed and implemented in such a way that benefits continued. A mutually reinforcing process of economic 'reforms' and socio-political decay was thus set in motion."

Thus in Sri Lanka, with liberalisation beginning in 1977 and the massive Mahaweli Scheme, political patronage seeped deeper into the body politic of the country. Subsequently, while the war also had its impact in the deterioration of public institutions, liberalisation in the form of trade reform with a booming import economy, financialisation with the expansion of banks and the stock market and the privatisation of state enterprises contributed to political decay.

Over the last five years the Rajapaksa regime centralised state power and used it towards mega development policies. Such centralisation of state power was possible because it came with the mobilisation of state and society with a war, and will not be easy for future regimes unless they unleash brutal repression of society. Such repression was the case with Pinochet in Chile, Thatcher in the UK and Jayawardena in Sri Lanka. In any event, such centralised state power in post-war Sri Lanka became indispensable to push through infrastructure and urban development in the quest to become the miracle of Asia. Repressive and centralised state power, which is characteristic of neo-liberal states, was necessary for the land grabs and slum demolitions, which paved the way for

infrastructure build-out, coastal tourism development and urban beautification, particularly of Colombo.

Such centralisation of power was also the avenue of corruption and nepotism.

And in this accelerating neo-liberal push for infrastructure and urban development, a range of international financial actors and a section of the Colombo-based and regional business community were also complicit. The economic geography of the country was rapidly transformed, with increasing inflow of capital absorbed into construction, and by the same mechanisms rent-seeking by certain actors also increased. Accelerating neo-liberal development and increasing rent-seeking became inextricably linked.

These dynamics are not unique to Sri Lanka. In many countries around the world, massive infrastructure and construction contracts result in rent-seeking. While neo-classical economists speak of the inefficiency and corruption of state enterprises, they rarely address the corruption that sets in with privatisation. However, as it became evident from the changes in Eastern Europe, it is with massive privatisation that large scale rent-seeking becomes possible in the process of large state assets transferred to private individuals. In the United States, it was tremendous neo-liberal financialisation shaping all sectors of the economy that led to major fraud in the energy, real estate and financial sectors eventually contributing to the global economic crisis of 2008.

All this is not to absolve the Rajapaksa regime of the rapid deterioration of political culture and the politicisation of institutions that led to political decay; it may take many years to undo the damage done by the regime. Nor is it to deny the role of liberal institutions and due process that checks corruption; they are much needed. Rather, it is to highlight that the substance of development also contributes to political decay. As a new Government and Cabinet of Ministers take office - many of them who have been part and parcel of the political decay in this country over the last few decades - it might be important to remember that it is the substance of economic policies they choose as much as their individual avarice and the lack of accountable institutions that leads to political decay.

Finally, if we are to arrest political decay, we may also have to consider an alternative approach to economic development including the substance of development. Grand development dreams of high growth, massive infrastructure and the glamorous mega city are enticing and will call for liberalisation to invite global finance capital. However, these are times when the simplicity of local and rural infrastructure, decent jobs, meaningful free education and healthcare, are the needs of the people. Indeed, it is such "small" development that may serve the needs of the "small" people who came forward to overthrow a regime claiming to have delivered mega development.

It is the democratic move of such people that has created the momentum to arrest the political decay that is the legacy of the Rajapaksa regime and continues to plague the country.

Democracy is about participation, and we cannot allow the "experts" of development, who for entrenched ideological and institutional reasons call for liberalisation, to rule the roost. There are also other reasons to oppose liberalisation including the mounting economic inequalities, dispossession and social exclusion, which lead to an undemocratic, unjust and unequal society. The courage shown by people to defeat an authoritarian regime is now needed in the form of the people's participation to build an economy worthy of their democratic aspirations.

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P.S.

*<http://www.sundaytimes.lk/150118/business-times/liberalisation-and-political-decay-130606.html>

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