Sri Lanka: Local Government Elections, Inequality and the Political Crisis

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The fallout of the local government elections continues as a political crisis. The anti-Muslim violence, the no-confidence motion and its defeat are the latest manifestations of a government that is finding it hard to govern. Amid the manoeuvring of political forces and the blame game within the Government, there is also a slow recognition of the economic problems that led to the anti-government vote in February. In the North, a similar anti-incumbent vote against the TNA, has fractured the Tamil electorate, and is also slowly bringing to the fore day to day economic issues, long ignored by Tamil politics during the war decades, and in post-war years. While the political discourse, both in the South and the North, shifts toward addressing economic concerns of the people, there is little clarity on the underlying causes of these economic problems. Is the economic disenchantment among the citizenry about the State's failure to deliver development initiatives? The cutting back of subsidies? The lack of measures to address the rising cost of living? Or neglect of the regions devastated by the long drought? While these concerns, I am sure, played a role in the election outcome, here I want to address the structural changes in the economy that are contributing to the mounting social and economic frustrations of the people. Such structural changes themselves are varied, from uneven development between Colombo and the rest of the country, the urban-rural divide, and the increasing social exclusion of marginalised sections of society. In this article, I focus on the issue of inequality, largely ignored in economic policies and even economic debates in Sri Lanka.

Empirical Insights

In recent years, there has been mounting interest in questions of wealth and income inequality around the world. While social and economic analyses of capitalist development have for long proposed theories of inequality, the current wave of interest in questions of inequality has emerged alongside evidence from several far reaching empirical studies. Such research has looked at both inequality between countries and inequality within countries.

Inequality as a field of study received a major boost from the path breaking work of Thomas Piketty, Capital in the Twenty-First Century, published in 2013. Piketty's empirical research explored over a century of data to demonstrate that wealth inequality in the West has now surpassed levels that were seen two and a half centuries ago when industrial capitalism transformed the world. Closer to home, Piketty's recent paper in July 2017 co-authored with Lucas Chancel titled, 'Indian income inequality, 1922-2014: From British Raj to Billionaire Raj?' used empirical data to analyse the tremendous income inequalities that exist in India. They found that from the time that data is available in 1922, income inequality is at highest level now in India.

One of Piketty's major insights is his critique of Simon Kuznets' theory that income inequality rises only during the early stages of capitalist development and reduces in subsequent periods. Piketty has conclusively refuted this argument, accepted by generations of mainstream economists. Piketty empirically illustrated that reduction of inequalities in the West in the middle of the twentieth century was not inherent to the capitalist process, as previously thought, but rather a consequence of two world wars that caused immense destruction of wealth leading to the levelling of inequalities. Furthermore, while inequalities may have reduced after the world wars, since the 1970s, the hollowing out of the welfare state, lack of redistribution due to regressive tax regimes, and attacks on labour movements, have led to a sharp rise in wealth inequalities comparable to pre-industrial levels.

Retrograde Economics

Even as conservative economics has been shaken by the global economic crisis of 2008, neither foreseen nor sufficiently analysed after the fact, empirical studies such as those by Piketty from within the mainstream academy as well as leftist economists long ignored before the crisis, have now opened new avenues for research, ranging from studies of inequality to the search for economic alternatives. However, in Sri Lanka, the economic establishment, including our think tanks and our economics pundits, continue to preach the conservative economic mantra, reinforced for decades by the Western academy and international agencies. It is precisely this colonised mind-set that has failed to deliver an alternative to the liberalisation economic policy path in the post-war years in Sri Lanka.

Neoliberal economic policies in Sri Lanka since 1977, accelerated again after the war in 2009, are continuing to increase inequality. Indeed, household income inequality in Sri Lanka over the last decade is at very high levels relative to other countries, and the Gini coefficient used to measure inequality is hovering between 0.45 and 0.49. The Household Income and Expenditure Survey (HIES) 2016, illustrates worrying facts about the distribution of total household incomes in Sri Lanka.

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The wealthiest 10% of the population receives 35.4% of the income, while the poorest 10% receives just 1.6%. Furthermore, the wealthiest 20% receives over half of total household income (50.8%), while the bottom 50% shares a mere 20.8% of the income. When half our population receives only a fifth of the total household income, they have little to lose. Significantly, it is this section of society constituting the mainly rural population that has swung elections and thrown out incumbent regimes throughout Sri Lanka's postcolonial history.

The argument put forward by the neoliberals that we need to go through the pain of economic development, including rising inequalities, which would flatten out later, has also now been refuted. In a paper titled, 'Growth with Inequality: Neoliberal Reforms in Sri Lanka,' by B. Skanthakumar (2013) shows that the Gini coefficient, 0.35 in 1973, has remained higher than 0.45 after the open economy policies were adopted in 1977. Indeed, inequalities will only rise when the state supports liberalised market-oriented economic development.

Political Fallout

Economic problems do not necessarily lead to causally predictable consequences. Rather, political changes and crises emerge in the course of time, when different forces mobilise around persistent conditions such as rising inequalities. Furthermore, such crises can either bring destructive regimes into power or stimulate a search for progressive alternatives. At the current moment, as in many other parts of the world, rising income inequalities and related economic problems, in the absence of credible progressive alternatives, seem more conducive for right wing and nationalist political forces. The anti-Muslim attacks last month reflect how such reactionary forces may polarise society along ethnic and religious lines.

Even as we challenge this right wing nationalist turn in our politics in Sri Lanka, can we also critically examine the legacy of the open economy and its attendant consequences including rising inequalities? Should we too explore the historical inequalities in Sri Lanka as with the recent advances in international research? I would argue that conceptualising a platform for equality is central to any progressive politics in Sri Lanka. Such progressive politics should seek to arrest both the neoliberal forces that aggravate class inequalities and the nationalist forces that seek to polarize the country along ethnicity and religion.

Ahilan Kadirgamar

P.S.

Daily Mirror
http://www.dailymirror.lk/article/Inequality-and-the-Political-Crisis-148701.html