Question No 1

“Development is simultaneous progress in social, economic and political indicators of a country.” How would you assess the period 1956-65 in terms of this criterion? Support your assessment by analyzing all three sets of indicators and the relevant policies, paying attention to both positive as well as negative elements and commenting on the consequences of success or failure in making simultaneous progress.

“Development is simultaneous progress in social, economic and political indicators of a country.”

Development is a term that has been used by several people and organisations in a society. The government and non governmental organisations are involved in social development. People too are interested in developing their personality, career and various other skills. But everything is possible only if the development project, scheme or design concentrates in all the aspects of the development. We may not be able to grow in one aspect at the expense of the other which will result in fatal consequences. Development leads people from social evils, economic barriers and political hazards towards freedom and well being. It’s a process. Development demands change; change in systems, attitudes and values. Though people welcome development, they hardly realise the need for change. Without change the development is not possible.

The period between 1956 and 1965 saw many changes in Sri Lanka. Those changes have caused a turning point in the Sri Lanka history for better or worse we will analyse.

As far as the economy is concerned the government was initiating efforts to attain self sufficiency. The feeling of indigenisation was welcome by the people. Instead of leaving the economy in the hands of the market forces the government was formulating policies to take the whip in the hands of the state. Therefore The Government took steps to expand the role of the public sector in the economy. An initiative was taken to introduce state led industrial development with the introduction of the State Industrial Corporations Act in 1957. As a measure to reduce the gap between the rich and the poor they introduced the Paddy Lands Act of 1958 and gave protection to tenant paddy farmers. At the time of Paddy Lands Act was introduced, there were feudal land owners who owned large extent of lands going up to even 100 acres. The feudal system was above all other differences such as ethnicity and caste. Sinhalese, Tamils and Muslims had inter-marriages, being the feudal background as the common criteria. An increase in the Food Subsidy for rice and sugar also came into effect as promised by the government. These measures were welcome by the people, though it had created dependency. People started to look up to the government for their basic needs!

At the time of independence the state had extended the level of welfare benefits already achieved in the plantation sector. The economy was almost export oriented but found it difficult to meet the public expenditure on free education and free health services. Any how the conscious effort to industrialise the country started from 1956. Exchange controls were introduced in 1960 in response to the deteriorating balance of payments situation in 1959. Exchange controls were applied on foreign travel, expenses to study abroad and capital transfers. Stringent measures were taken to commodity trade and to trade protection. The restrictions on trade and import controls raised the profitability of the import substituting production. Industrialisation behind the protected walls began to cherish. The “economic independence” which the country sought to complement political independence was associated by industrialisation.

There were few changes in the political moves too. The SLFP had association with Countries that followed the Marxian theories. While adopting and applying the Marxist ideologies the government wanted to practice liberal democracy. But invariably the actions were taking a new shape, giving rise to majoritarian character of Democracy. The then Prime Minister S.W.R.D. Bandaranaike was instrumental in making Sinhala as the only Official Language in 1956. This measure was taken probably as a remedial action to console the majority community that suffered under the colonial rule and neutralise the proportionate representation in the state machinery by the different ethnic communities. The colonial rulers invariably adopted the policy of favouring those who were willing to get converted to Christianity from the Sinhala and Tamil communities. Education and employment were offered to those favoured citizens. This has created hatred in the minds of the majority community against the English language and the other ethnic groups who benefited from this partiality. The politicians have played their role in a manner that convinced the ordinary people that the minority ethnic groups are a hindrance for the development of the country and they should be eliminated from the democratic process. It shows how the people were misled as to the meaning of democracy

Democracy is defined in Wikipedia as “a system of government by which political sovereignty is retained by the people and either exercised directly by citizens or through their elected representatives.” Furthermore it mentions that “however, if any democracy is not carefully legislated to avoid an uneven distribution of political power with balances, such as the [separation of powers](http://en.wikipedia.org/wiki/Separation_of_powers), then a branch of the system of rule is able to accumulate power in a way that is harmful to democracy itself. The "[majority rule](http://en.wikipedia.org/wiki/Majority_rule)" is often described as a characteristic feature of democracy, but without responsible government it is possible for the [rights of a minority](http://en.wikipedia.org/wiki/Minority_rights) to be abused by the "[tyranny of the majority](http://en.wikipedia.org/wiki/Tyranny_of_the_majority)". It was unfortunate that the Sri Lankan political leaders have adopted only the concept of ‘majority rule’ as the essence of democracy. This has caused enmity between the ethnic groups as well as political partisans and created civil unrest.

The government has failed to resolve the ethnic conflict and only allowed it to grow by passing more and more laws against the minority groups. The successive governments too couldn’t resolve the ethnic conflict, instead they were capitalising on the crisis to obtain political gains. Sinhala nationalism paved way for the Tamil nationalism and created drift among these communities. Having more than 95% of the population claimed to be religious and more than 70% literate in Sri Lanka, it was a mystery why these communities developed such hatred towards each other. In the long run the country had to face negative consequences.

It was not recognised at the time of planning that import substituting industrialisation is however contrary to the law of comparative advantage. This strategy created highly capital intensive industries with low value added at international prices. The increasing demand for capital and intermediate goods resulted in greater drain of foreign exchange resources. As import substituting industries were designed for domestic market which was small, resulted in sub-optimal investment decisions, excess capacity and low economies of scale. Since these industries enjoyed protection, their products tended to be highly priced and of poor quality. This phenomenon has created dissatisfaction in the minds of consumers who had enjoyed high quality products at reasonable prices at the time and early years of independence. When protection was removed after a lapse of time number of infant industries couldn’t become viable. The economic indicators were not favourable at all. Overall Budget Deficit Increases from Rs 65 Million to 430 million. The Trade balance moves from surplus of US$ mn 41 to a deficit of US$ mn 44 in 1960, US$ 72 in 1966. External reserves drop from US$ mn 264 ( 9.7 months imports) in 1956 to US $ mn 114 (3.2 months’ imports) in 1960 to US$ 92.1 (2.7 months imports) in 1965. Terms of trade declines, from 489 in 1956 to 462 in 1960 and 355 in 1965. Rate of Inflation was about 1.3% per year. There were some positive indicators too. Rates of GDP growth were 2.9% during 1956-60 and 3.6% from 1960-65. Rate of per capita GDP growth were 0.5% during 1956-60 and 1.1% during 1960-65.

The indigenisation has been misinterpreted and was confined to petty nationalism. The products and labour were targeted for only the local market except the traditional plantation industry. This double standard has created confusion in the attitudes of personnel who were involved in the production. Furthermore most of the industries were owned by government corporations which have borrowed money from state banks initially towards capitalisation but later to bridge the deficits due to high cost of production. During the period under review the education was in national languages. This gave opportunities for many to enter into education thereby attaining a high literacy rate compared to other Asian countries. The life expectancy too increased due to free medical services and the eradication of malaria. Anyhow the neglect of the usage of international language has reduced the job opportunities when the economic liberalisation came into effect lately. Attitude regarding the quality of products has prevented Sri Lanka from competing in the international market.

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