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***Economic Development and the  
Executive Presidency***

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## **Introduction**

This essay charts out the developmental causes and consequences of the executive presidency in Sri Lanka, examining its provenance, rationale, and its unfolding trajectory. It argues in brief that the executive presidency was born out of an elite impulse to create a more stable, centralised political structure to resist the welfarist electoral pressures that had taken hold in the Soulbury period, and to pursue a market-driven model of economic growth. This strategy succeeded in its early years, when Jayewardene and Premadasa retained legislative control and maintained a strong personal commitment to market reforms. It later struggled under Kumaratunga as resistance mounted from above and below. Under the Rajapaksa regime, the market reform project was suspended indefinitely, so much so that the power of the executive presidency acted as the obstacle to the very agenda it was created to facilitate.

Economic growth increased under the aegis of the executive presidency, although in unexpected ways. Most importantly, the rapid growth and structural transformations that was evident through market reform-led growth in the south occurred in parallel with the escalating civil war in the north-east, generating a schizophrenic mix of development amidst destruction. The market reform programme was itself no textbook shift from state to market: it was accompanied by a massive expansion of the state, first under rural development schemes such as the Mahaweli project, and later through the fiscal impact of the expanding defence budget, each of which created knock-on effects within and beyond the economic sphere.

The link between presidentialism and economic development is a subset of the larger field of study on the relationship of political institutional design to policy outcomes. At its core is the causality posited between institutional type and policy outcomes: institutions provide the over-arching framework, and the system of rules and incentives that sociological agents work within and respond to. Policy outcomes are a function of institutional structures that beget them, and desired policies can thus be obtained by engineering an optimal institutional regime of rules, with concomitant rewards and punishments.

This logic seems to apply very neatly in Sri Lanka, where the history of development policy regimes matches closely with the evolution of the political architecture. The period of the Westminster-style prime ministerial system (1948-77) gave rise to electoral populism that translated into economic populism with the steady expansion of a welfarist state and state regulation of private economic activity. In contrast, the switch to a more authoritarian Gaullist semi-presidential system in 1978 gave birth to a more authoritarian politics and an era of market reforms.

Appealing and intuitive as this taxonomy is, it is important to be cautious in taking the link between institutional design and policy outcomes too far. There was much about both welfarism and market reform that can be traced back to the respective constitutional structures that they flourished under, but this does not always amount to a causal link from the former to the latter. To some extent, they both had the same parentage, and were shared outcomes of similar causal factors and broader historical trends. In that sense, much of what is outlined in this essay refers to economic development that transpired *during* the period of presidentialism, without necessarily implying that these were *caused* by presidentialism.

The second relevant strand of the institutional literature is the relationship between democracy and development. In brief, the academic literature on this subject as well as the guiding wisdom during the colonial period was that development has to precede democracy; that stable democracies are only tenable at later stages of development with higher levels of income and education. Modernisation theorists such as Seymour Lipset argued that the poor are either not educated enough or lack the socio-cultural and economic wherewithal to participate effectively in democratic institutions<sup>1</sup>. Adam Przeworski on the other hand argues similarly that the democratic empowerment of an impoverished majority will be unsustainable, but does so from a different direction of causality. A democratically empowered majority of poor citizens will, he argues, vote to expropriate and redistribute the assets of the rich, ultimately derailing democracy because the rich will

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<sup>1</sup> S. Lipset, 'Some Social Requisites of Democracy: Economic Development and Political Legitimacy' (1959) *American Political Science Review* 53:1, 69-105.

revolt in favour of more authoritarian governance that protects their assets.<sup>2</sup>

As such, theory holds that premature democratisation in poor, under-developed countries, such as colonial Ceylon at the dawn of the Donoughmore era, would cause either democracy or development to suffer; such countries would either revert to non-democratic authoritarian regimes (in form if not in substance), or else suffer extended periods of retarded and distorted development. Or else, they could chaotically zigzag through a half-way system where weak democratic institutions and weak developmental outcomes reproduce one another. In contrast, the experience of rapid late-developing states in East Asia such as South Korea and Taiwan is illustrative: both remained authoritarian dictatorships during the period of their rapid development, and did not democratise until the 1980s, by which time they had already achieved a substantial measure of prosperity.

### **Tasting the Fruit before Planting the Tree: 1948-77**

Democracy has for long been so well established as a moral norm in Sri Lankan public life that the trade-off between development versus democracy is rarely invoked explicitly. Nevertheless, many of its elements have strong resonance, both in terms of the occasional reversion to a more authoritarian style of rule, and also in terms of the populist legacy on economic development. The internal debate on this issue actually goes back to the founding moment of universal suffrage, in the hearings of the Donoughmore Commission in 1927. As is well known, the aspiring native elite of the time was almost unanimously opposed to the idea of universal franchise, and was appalled to find that that the Commission had over-ruled their objections and granted the vote to their social inferiors.<sup>3</sup>

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<sup>2</sup> A. Przeworski, 'The Poor and the Viability of Democracy' in A. Krishna (Ed.) (2008) *Poverty, Participation and Democracy: A Global Perspective* (Cambridge: Cambridge University Press).

<sup>3</sup> J. Manor (1989) *The Expedient Utopian: Bandaranaike and Ceylon* (Cambridge University Press): p.78 lists the only three people who advocated

Under the Donoughmore constitution, the crown colony of Ceylon – not even a dominion yet – was the first country in Asia, and the first ‘non-white’ part of the empire to enjoy universal suffrage, and had the first such elections a full two decades before India. The political enfranchisement of the entire adult population led to radical changes in society in the coming decades. The initiation of a range of transformative social welfare schemes such as subsidised food, free education, and free public health, changed life for the better for millions of poor rural Sri Lankans within a relatively short space of time. By the early 1960s, Sri Lanka was being described as an unusual and precocious development miracle, as with nearby Kerala. Between 1946-63, the infant mortality rate dropped from 141 to 56 per 1000 while life expectancy increased from 43 to 63 years. The adult literacy rate, which was already comparatively high in 1946 at 58 per cent rose quickly to 72 per cent by 1963. These improvements occurred in the absence of anything near a commensurate increase in economic growth, so that Sri Lanka was in terms of social welfare indicators, in the league of countries that were a factor of between five and ten times wealthier.<sup>4</sup>

These historic gains notwithstanding, it is also not possible to ignore the many negative features that were also intrinsic to this process, and which would vindicate the apprehensions, however condescending they seem in retrospect, of the pre-Donoughmore elites. Universal suffrage granted abruptly in this manner to an impoverished rural population that had never actually asked for it was quickly exploited and captured; first by dominant social groups and later by populist demagogues. In short order, the newly elected leaders of the 1940s and 1950s elevated and institutionalised ethnic prejudice into political competition and handed out generous, but excessive and unaffordable welfare subsidies. In practice, this meant heavily taxing the productive sectors of the economy such as the tea plantations to fund unproductive and untargeted consumption subsidies. It led Joan

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universal franchise in Ceylon as trade unionist A.E. Goonesinha and two British residents.

<sup>4</sup> P. Isenman, ‘Basic needs: the case of Sri Lanka’ (1980) *World Development* 8:3, 237-258.

Robinson, the Cambridge economist, to famously remark that 'Ceylon has tasted the fruit before she has planted the tree'.<sup>5</sup>

Emblematic of the economic and political dysfunctionality of the time was the institution of the rice subsidy into a political 'holy cow'. Introduced initially as a war-time measure, it grew to occupy 20 per cent of all government expenditures and became impossible to withdraw, even when the government was in fiscal distress. The 'hartal' of 1953, the legislation of Sinhala-only in 1956, the assassination of the prime minister in 1959, the island-wide race riots of 1958, were all viewed as part of the Pandora's box of problems unleashed by (what Sir Ponnambalam Ramanathan had described in 1927 as) the democratic dystopia of 'mob rule'. Even though many members of the surviving Donoughmore political elite were themselves deeply complicit in presiding over and politically profiting from these events, they also viewed the unfolding political and economic chaos in their midst with evident concern and distaste.

The failed officers' conspiracy of 1962 was one manifestation of the depth of desperation that had set into the *ancien regime* about the need to correct course and redress the excesses of electoral populism. The main protagonists in the 'colonels' coup' were senior (but second echelon) military and police officers whose educational, social, and religious background (they were almost entirely Christian) and family connections linked them closely to the erstwhile colonial-era social and economic elite. David Horowitz's study into the coup, based on an extensive set of interviews, clustered the reasons that motivated the conspirators around a familiar set of complaints by the members of that social stratum. These include 'unrest, strikes, no discipline', 'danger from the left', and 'politicians pandering to the mob'.<sup>6</sup>

As has since emerged,<sup>7</sup> three of the senior-most members of that very elite: two former UNP prime ministers, Sir John Kotelawala

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<sup>5</sup> J. Robinson, 'Economic Possibilities of Ceylon' (1959) (Papers by Visiting Economists: National Planning Council): p.41.

<sup>6</sup> D.L. Horowitz (1980) *Coup Theories and Officers' Motives: Sri Lanka in Comparative Perspective* (Princeton, NJ: Princeton University Press).

<sup>7</sup> K.M. de Silva & W.H. Wriggins (1988) *J.R. Jayewardene of Sri Lanka: A Political Biography*, Vol.II (A. Blond/Quartet): pp.113-120.

and Dudley Senanayake, as well as the then current president, Sir Oliver Goonetilleke, were complicit in the plot, and were to have stepped forward to assume control and re-constitute a new executive after the putsch. Fatefully for the subsequent history of democracy in Sri Lanka, not only was the conspiracy uncovered and stopped at the eleventh hour, but the role that Dudley Senanayake played in it was never fully uncovered until after his death.

The other, far more successful plan emanating from largely the same impulse, and from a leading politician of the same party and vintage, was the executive presidency. Conceived, nurtured, and introduced almost single-handedly by the force of J.R. Jayewardene's own personal will, the broader, unspoken compulsion that guided the executive presidency was, as with the coup d'état, one of turning the clock back to the golden age of political, economic, and inter-ethnic stability under UNP rule from 1947-56. This is of course an opportunistic misreading of that period, and belies the fact that as the first finance minister of independent Ceylon from 1947-51, J.R. Jayewardene's budgets – viewed at the time as a bold Keynesian departure from the stifling liberal orthodoxy of the colonial-era – were a precursor of much of what was to come later. The taxation of the plantation sector to fund consumer subsidies, state welfare expansion, and even some measure of planning and import-substitution industrialisation were all projects advanced (albeit with greater hesitation) by the very person who would, three decades later, seek to dismantle them, and to force that genie back into its bottle.

The historical source material on the provenance of the Gaullist system in Sri Lanka is surprisingly sparse. There was by all accounts, no long-standing debate on the issue within the UNP, or even among the broader political, journalistic, or intellectual milieu on the matter. It appears instead that the idea belonged to Jayewardene himself, and was announced publicly for the first time in a speech that he made in 1966<sup>8</sup>. In its form, it was clearly inspired by the French fifth republic, and the way that it appeared to correct the deep imbalances wrought by the Westminster

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<sup>8</sup> A.J. Wilson (1980) *The Gaullist System in Asia: The Constitution of Sri Lanka (1978)* (Macmillan).

system. The separation of executive from the legislature ensured that the president would stand above the petty bickering and fickle alliances of parliament. The fixed time-line for a presidential term ensured that policies could be formulated with a longer, more dependable time-line for their implementation, and free of populist electoral compulsions. In addition, proportional representation would end the unfairness of the massive, undeserved parliamentary majorities that the plurality voting system had produced in 1956, 1960 (July) and 1970 to the detriment of the UNP.

In substance though, the idea of concentrating centralised powers in the person of the executive president responded directly to the quest to contain electoral populism. It also corresponded with Jayewardene's admiration of the developmental results achieved by his more authoritarian contemporaries elsewhere in Asia. That said, despite the measure of international inspiration involved, the simultaneous adoption of a radically different political system and a new economic development regime was an original experiment in its own right and not the prevailing international fashion. Market reforms were also not forced on Jayewardene by the IMF at the knife-edge of a balance of payments or debt crisis bailout. Indeed Sri Lanka was one of the first countries in the developing world to implement such a radical change of course, five years before the rest of Asia, Africa, or Latin America would do so far more grudgingly.

#### **“Let the robber barons come”: 1977-94**

In the first two years of the reforms, the new UNP government deregulated with speed and gusto. It liberalised foreign trade, removing import controls, reducing export duties, and devaluing the exchange rate by 43 percent. It eliminated subsidies on food and petrol and liberalised internal agricultural markets. It encouraged foreign investment, established export processing zones (including Katunayake in 1978), modified labour legislation, and deregulated credit markets. Foreign investment, which was practically zero for most of the 1970s, picked up to the level of US\$50 million a year in the early 1980s (UNCTAD). This was the period in which the century old reliance on agricultural



commodity exports as the bedrock of government finances and foreign exchange earnings was finally overcome, and was displaced by the new economy of tourism, garments, and financial services.

Between 1977-86, the share of exports from agricultural commodities (primarily tea and rubber) dropped from 70 per cent to 40 per cent, while industrial goods (primarily garments) went up from 8 per cent to 40 per cent. As new export-processing zones continued to emerge in places such as Biyagama (1985), and Koggala (1991), the garment industry continued to expand steadily, and had the mid-1990s, accounted for half of all exports, while tea was reduced one fifth.

As a result, Sri Lanka witnessed a surge in foreign trade and private-sector led growth after 1978 that fundamentally transformed the structure of the island economy and government finances. There was also a significant increase in economic inequality in this period that continued to grow well into the 1990s. Much has been said about the negative impact of the reforms, both in domestic political discourse, and in international economic debates. The Sri Lankan experience became the subject of a heated controversy with broader international implications for advocates and critics of market reform and its role in growth versus poverty and inequality<sup>9</sup>.

A largely technocratic rendering of the record since then would suggest that the presidential system succeeded in pulling Sri Lanka back from the precipice of economic collapse; that a judicious recalibration towards a more authoritarian structure was needed to introduce a more rational economic regime, albeit at the transitional cost of higher inequality. In other words, 'command politics' was needed to bring the command economy

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<sup>9</sup> Isenman (1980); S.S. Bhalla & P. Glewwe, 'Growth and equity in developing countries: A reinterpretation of the Sri Lankan experience.' (1986) *World Bank Economic Review* 1:1, 35-63; S. Anand & R. Kanbur (1991) *Public Policy and Basic Needs Provision: Intervention and Achievement in Sri Lanka* in J. Dreze, A. Sen & A. Hussain (1995) *The Political Economy of Hunger: Selected Essays* (Oxford University Press); S.R. Osmani, 'Is there a Conflict between Growth and Welfarism? The Significance of the Sri Lanka Debate' (1994) *Development and Change* 25(2): pp.387-421.

to an end. There is however, much that is missing from this story without which it lacks not just colour and texture but many of its essential facets. Although the UNP's intention may well have been to engineer a more authoritarian, electorally insulated policy-making structure in order to pursue a technocratic agenda of market deregulation, there were other aspects that came along with it that limited, moderated and even reversed the concentration of power at the apex.

The high tide of authoritarianism that Jayewardene personified in the 1980s came about not just because the executive presidency provided him with many powers, but because this was buttressed by overwhelming legislative support. Jayewardene's parliamentary super-majority (140 of 168 seats) was actually a relic elected and inherited under the previous first-past-the-post system in 1977, of the type that the new rules he introduced had just done away with. Nevertheless, by preserving the 1977 parliament, and by controversially extending its life through to a second, unelected term until 1989, Jayewardene afforded himself unprecedented powers over an exceptionally long period of time. In his ten years as president, Jayewardene had the luxury of passing fourteen constitutional amendments. Premadasa would also pass another two amendments in the dying days of that elongated parliament in December 1988.

Proportional representation would, once inaugurated in 1989, change the structure of legislative representation entirely, and produce deeply fragmented parliaments out of which fragile multi-party ruling coalitions would be pieced together. This not only improved the representative quality of parliament in several dimensions, but it also served to constrain the powers that subsequent presidents after Jayewardene wielded, requiring them to share power and make deep compromises with several smaller, and often petulant coalition partners. Unlike the presidency, the legislature itself remained vulnerable to sudden collapse and electoral recall, and was therefore far more responsive to the popular pulse and to its murmurings of discontent. In time, this element would lead to the deceleration of the pace of market reforms after Premadasa, and eventually, to its indefinite suspension under Rajapaksa. One simple indicator of the changing power of the presidency *vis-à-vis* the legislature is in the

rate of constitutional amendments that have been passed. Between 1978-88, constitutional amendments happened at the rate of about 1.5 per year. Since then has dropped to one every decade.

In order to understand the story of market reforms in Sri Lanka, it is necessary to understand the involvement of a much larger and more complex set of actors than is immediately apparent, as well as an extraordinary array of political and ideological mechanics and theatrics. Having traumatically lost power to a wave of economic and nationalist populism in 1956, the UNP had, since then, consciously sought to repair its inherited identity as an unelectable party of rich urban cosmopolitans. As Jayewardene himself put it, the task was to 'correct the image of the UNP which was considered a conservative, capitalist party',<sup>10</sup> and he largely succeeded in this historical mission, at least for a while.<sup>11</sup> In order to get the UNP re-elected and to implement a counter-populist economic agenda of market liberalisation and the de-welfarisation of the state, Jayewardene set about finding alternate sources of populist legitimacy and consent. This happened on the one hand through an exaggerated performance of Buddhist religiosity, and on the other, through a wave of expensive rural development schemes.

Once elected into power with an overwhelming legislative majority in 1977, and the powers of the executive presidency at hand, Jayewardene's development agenda was not restricted to the market reforms, foreign investment and export-processing zones that it is known for. Indeed these elements were often overshadowed by the massive expansion of the state under public sector investment projects that increased the state employment head-count by 20 per cent in his first five years in power.<sup>12</sup> Most vivid of the many rural development projects of the time was the revitalisation the Mahaweli Development project. Originally

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<sup>10</sup> J.R. Jayewardene (1992) *Men and Memories* (New Delhi: Vikas): ix.

<sup>11</sup> See de Silva & Wriggins (1988), particularly chapter 14- 16 for a fairly sympathetic account of Jayewardene's reforms within the UNP in the 1973-1977 period.

<sup>12</sup> R. Herring, 'Explaining Sri Lanka's Exceptionalism: Popular Responses to Welfarism and the Open Economy' in J. Walton & D. Seddon (Eds.) (1994) *Free Markets & Food Riots* (New York: Blackwell).

conceived in the 1960s as a thirty-year project of electrification and irrigation-based rural development covering 39 per cent of the land-mass of Sri Lanka, the project was under Jayewardene compressed and accelerated to fit within six years.

The reform agenda continued to unfold under Premadasa through the UNP's adroit ability to camouflage its business-friendly reforms under the thunder and lightning of populist ethno-religious outreach and rural development programmes. A considerable part of Premadasa's personal attention was spent designing, implementing and communicating his massive public housing scheme, the *Janasaviya* poverty alleviation programme, the two hundred garment factory plan, and the *Gam Udawa* extravaganzas.<sup>13</sup> Unusually for a poor South Asian country where such spending is frequently associated with clientelist excess, public waste, and corrupt misgovernance, the brief Premadasa period is nevertheless viewed in retrospect as relatively more successful in its stated aims. Even though many of these negative elements were present, the programmes were nevertheless imaginative and innovative and reflected Premadasa's personal commitment and zeal towards their success.

Moreover, given the extent of its association with high profile religiosity and poverty alleviation, it is instructive to note that the Premadasa period remains in the memory of corporate leaders as a golden age of government responsiveness and business-friendly efficiency. This was the point at which Sri Lanka most closely resembled an authoritarian East Asian developmental state. It was corrupt, but efficient; intolerant and rough with critics, but business-minded and results-oriented; it suppressed unions, but was generous and innovative with welfare schemes. It featured the inscrutable and demanding personality of Premadasa at its apex, ably assisted by competent bureaucrats such as Bradman Weerakoon and R. Paskaralingam. The government managed to deliver, both in terms of attracting foreign investments, but also in getting garment factories located in the rural hinterland where

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<sup>13</sup> K. Stokke, 'Poverty as Politics: the Janasaviya Poverty Alleviation Programme in Sri Lanka' (1995) *Norwegian Journal of Geography* 49:3, 123-135; D. Dunham & S. Kelegam, 'Does Leadership Matter in the Economic Reform Process? Liberalization and Governance in Sri Lanka, 1989-1993' (1997) *World Development* 25(2): pp.179-190.

they provided jobs and incomes for poor families. In this brief period of 1990-93, the UNP's vision of authoritarian market-driven globalised economic growth and poverty alleviation briefly reached its pinnacle. This was in essence, what the executive presidency aspired to do.

The other important feature that shaped, and left a deep imprint on the development agenda was the escalating civil war. By the second half of the 1980s, the war in the north and the brewing JVP rebellion in the south had claimed a growing share of the state's resources, and was imposing a heavy toll on the economy. A series of economic analyses in the 1990s began to attach a developmental cost to the war, estimating the direct costs such as the diversion of scarce resources to military purposes, the destruction of physical capital, and the interruption of production and trade, as well as indirect costs such as the flight of human capital and foregone foreign investment.<sup>14</sup> As a result, there was a growing consensus that the conflict had come to pose an unbearable burden on the economy, and that it needed to be resolved, even at heavy cost if need be, in order for the country to progress.

If war was seen on the one hand as an obstacle to development, then it was in effect the flip-side of a widely held view that development was the solution to the conflict. The association of the LTTE and JVP insurgencies with the frustrations of poorer, socially disadvantaged groups in the Tamil and Sinhala communities has led to the identification of economic development as an urgent need and a potential alternative route to conflict resolution. In consequence, development has since 1977 frequently taken on the implicit if not explicit rationale of addressing the root causes of unrest in youth unemployment and rural poverty.

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<sup>14</sup> N. Arunatilake, S.K. Jayasuriya & S. Kelegama, 'The Economic Cost of the War in Sri Lanka' (2001) *World Development* 29: pp.1483-1500; Marga Institute, International Alert & National Peace Council (2001) *Cost of the War: Economic, Socio-Political and Human Cost of the War in Sri Lanka*; L.M. Grobar & S. Gnanaselvam, 'The Economic Effects of the Sri Lankan Civil War' (1993) *Economic Development and Cultural Change* 41: pp.395-405.

But in reality, the way that development and war interacted was far more complex than the relatively straight-forward task of tallying up the costs of war, or in the causal link between poverty and violence. Market reform and the ethnic conflict were the two leading policy items on the agenda of the UNP government for most of its 17 years in power, and these two items were deeply inter-connected at the political, socio-economic, and ideological level. At one level, the UNP's exaggerated display of Buddhist religiosity and Sinhala patriotism – which was at least partly in order to compensate for the evident unpopularity and illegitimacy of the market reforms – had the obvious knock-on effect of further alienating the Tamil minority.

The results of the 1982 presidential election shows that the UNP's support was weakening amongst rural Sinhala Buddhists<sup>15</sup>, probably due to a conjoined cultural/economic rejection of the reforms. It created a situation by the early-1980s where the continuation of the market reform agenda required the government to demonstrate that it was defending the interests of the Sinhala Buddhists, even if it meant alienating the Tamils and painting itself into a corner on the ethnic issue. Through the early 1980s, Jayewardene was forced into an increasingly confrontational posture on the ethnic conflict and was unable, for fear of arousing Sinhalese opposition, to make the concessions that would pull it back from the brink. In effect, the stability of the government, and the pursuit of its market reform plan depended indirectly on its refusal to pursue an appropriate course of conflict resolution.<sup>16</sup>

### **Presidentialism under Challenge: 1994-2005**

By the second decade of the war in the mid-1990s, the nature of presidentialism and its relationship to the development agenda had changed entirely. After 17 years in power, the UNP lost

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<sup>15</sup> M. Moore, 'The Gaullist-Bonapartist State in Sri Lanka' in J. Manor (Ed.) (1984) *Sri Lanka in Change and Crisis* (Croom Helm).

<sup>16</sup> R. Venugopal, 'The making of Sri Lanka's post-conflict economic package and the failure of the 2001-04 peace process' in E. Newman, R. Paris & O. Richmond (Eds.) (2009) *New Perspectives on Liberal Peacebuilding* (United Nations University Press).

power in 1994, and with that came an end to their unambiguous commitment to market reform. The return of the People's Alliance (PA) coalition as effectively an enlarged version of the old United Front (UF) coalition of the 1970s, with its Sirimavo Bandaranaike and a number of leading Marxist leaders at the top naturally led to speculation about the fate of the market reforms.

Despite some indications and electoral rhetoric in 1994 to suggest that there would be a reversal, the reform agenda remained in place and continued to unfold. It did so however, largely because of the personal commitment that Chandrika Kumaratunga demonstrated to continue with the reforms in the face of increasing pressure and hostility from her own coalition. Kumaratunga worked around the competing pressures she faced by appointing competent technocrats to key economic decision-making posts, while retaining important cabinet posts for those within her party who connected better with voters and could help win elections - such as Mahinda Rajapaksa. Meanwhile, leading members of Kumaratunga's People's Alliance (PA) coalition were Marxist trade union leaders with an ideological predisposition and an institutional mandate to oppose the reforms.<sup>17</sup>

As a result, market reforms sputtered on between 1995-2001, but often at an uneven pace. Some important reforms, including large privatisations happened in this period. But they happened amidst prevarication, self-doubt, and internal tension at the top. In line with the greater scepticism towards market reforms that had taken hold internationally at the time, Kumaratunga had campaigned for a 'human face' to the reforms and demonstrated greater personal commitment and energy towards addressing their social impact. In substance, this took the form of scrapping Premadasa's flagship *Janasaviya* project and replacing it with a new poverty alleviation scheme, *Samurdhi*.

In the aftermath of the tumultuous decade of the 1980s that ended with the JVP insurgency, Sri Lanka was being transformed along a number of different axes at very different rates. On the one hand, there was a striking contrast between the 'normal'

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<sup>17</sup> M. Moore, 'Leading the Left to the Right: Populist Coalitions and Economic Reform' (1997) *World Development* 25(7): pp.1009-1028.

development processes in the south and the abnormal, crisis-ridden situation of humanitarian relief and persistent insecurity in the north. But even in the south, there was a growing rift between the prosperity of globally connected, urban sectors of the economy such as finance, tourism and garments, versus the persistent poverty of the small paddy farmer. Inequality grew steadily since the late 1970s, but at a particularly sharp increase in the 1990s-2002 period, as high rates of economic growth were matched by very low rates in poverty reduction.<sup>18</sup> Moreover this growth was overwhelmingly concentrated in urban districts such that the poverty headcount was either the same or had increased in 9 of 17 districts during the 1990s (excluding the north-east). There was also a significant sectoral imbalance in the growth, which came largely from the industrial and service sectors, whereas there was an unusually rapid decline in the agricultural economy.

In that context, the intersection of normal development and the war created a series of perverse and unusual outcomes. For example, during the 1990s, the army had become the biggest employer in the country, and the largest source of formal sector cash employment for young Sinhalese men from rural backgrounds, particularly those from the outer rural periphery (Venugopal 2011b). In parallel, there was a steady flow of rural women to the garment factories of Katunayake or Biyagama,<sup>19</sup> and also to the Middle East as domestic workers.<sup>20</sup> A historic deagrarianisation of the workforce took place during the 1990s as the share of the working population in agriculture, which had remained largely unchanged since the 1950s, dropped from 47 percent down to 32 percent. During this period, when commodity prices for crops such as paddy were in steady decline,

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<sup>18</sup> R. Gunatilaka & D. Chotikapanich, '*Inequality Trends and Determinants in Sri Lanka 1980- 2002: A Shapley Approach to Decomposition*', Monash Econometrics and Business Statistics Working papers 6/06 (2006) (Monarch University).; A. Narayan & N. Yoshida, '*Poverty in Sri Lanka: The Impact of Growth with Rising Inequality*' (2005) (Report No. SASPR-8: World Bank).

<sup>19</sup> J. Shaw, '*There is No Work in My Village' The Employment Decisions of Female Garment Workers in Sri Lanka's Export Processing Zones*' (2007) *Journal of Developing Societies* 23(1-2): pp.37-58.

<sup>20</sup> M.R. Gamburd (2000) *The Kitchen Spoon's Handle: Transnationalism and Sri Lanka's Migrant Housemaids* (Cornell University Press).



and farming was often unremunerative, remittances from migrant workers and soldiers did much to support the welfare of rural households, and to prop up the village economy at large.

Meanwhile, in the war-torn north-east, the kinds of transformations underway were entirely different. A journey past the frontiers of 'normal' Sri Lanka, beyond Medawachchiya, Kantale, or Welikanda often gave one the impression of arriving at an entirely different land, where the developmental debates on market reform or labour legislation were entirely irrelevant. Large parts of the north-east had been under the intermittent control of the LTTE, and were mostly excluded from government economic statistics, although it was well known to relief agencies and public servants by the early 1990s that the people of the north-east were among the most deprived, vulnerable, and under-served in the country.

This also meant that basic public services such as electricity, telephones, roads, hospitals and schools, were either entirely lacking or in very poor repair, having suffered war-damage followed by extensive periods of stagnation and under-investment. This situation was exacerbated in the decade of the 1990s, when the conflict was transformed from a low-intensity guerrilla insurgency to an increasingly frontal conventional war fought with artillery and large troop movements. During this period, wide swathes of land, including heavily populated areas such as Jaffna city itself, changed hands displacing hundreds of thousands of people who remained transient in an out of relief camps and other such forms of temporary shelter until the end of the war.

Due to the heavy media restrictions in place, most people in the south were never exposed to this reality, and remained largely insulated from it, living their lives in an entirely different set of realities and challenges. Perhaps in recognition of this, the LTTE had during the 1996-2001 period, changed tactics to inflict a direct and vivid economic impact on the country's prosperous economic nerve-centre. The January 1996 bombing of the Central Bank, the October 1997 bombing at the Galadari Hotel, and the July 2001 attack on Katunayake airport all had a serious impact on the segments of the new, post-liberalisation economy that had thus far avoided getting directly entangled in the war.

One consequence of this was that corporate leaders, who had hitherto been quietly sympathetic of the Kumaratunga government, became hostile to her strategy of 'war for peace', and lobbied instead for a negotiated end to the war, even if that ultimately meant sharing power with the LTTE.

The period between 2000-2004 brought the executive presidency into an unprecedented crisis, with its powers significantly weakened. The overlapping political, military, and economic crisis that the Kumaratunga government found itself in during 2000-2001 led first to a difficult and short-lived coalition, and then to a complete loss of the legislature in December 2001. Following a rare election victory for Ranil Wickramasinghe, the UNP-dominated legislature was now in the unusual situation of being under the control of a rival, hostile party to the president. Under this 'co-habitation' period that ensued between December 2001-April 2004, the executive presidency was reduced to the position of a Westminster-style figurehead while the prime minister took firm control of the executive.

Aware of the ticking political clock against him, and of the vulnerability of the co-habitation arrangement, Wickramasinghe was eager to achieve quick successes that he could have available to present to the public in time for the presidential elections of 2005. As a result, the new government rushed through a series of far-reaching initiatives on the two most controversial and long-standing items of state reform, the ethnic conflict and market liberalisation - often in a brazen and demonstrative disregard for the president. The government and its agenda eventually failed, largely because he was forced to the polls much earlier than expected by Kumaratunga in April 2004, and because he suffered a huge backlash against the economic and ethnic elements of his agenda. Despite the massive international support and funding from the western donors for his government, and to some extent because of it, Wickramasinghe found himself wanting in domestic support, particularly from the core Sinhala-Buddhist demographic.

Some elements of the fiscal austerity programme were particularly unpopular, such as the withdrawal of the fertiliser subsidy, and the public sector hiring freeze. But perhaps more substantial than

these individual budgetary line items was the larger strategic failure of statecraft. Wickramasinghe, unlike Jayewardene or Premadasa, made the mistake of presenting his core agenda in its naked, technocratic, counter-populist core, without any alternative avenue of populist legitimacy or patronage that could be used to disguise it or buy-off opponents. In doing so, he rendered his agenda vulnerable to attack from a two-pronged charge that it was against the interests of the Sinhalese majority, and that it would damage the economic welfare of the poor and vulnerable at large.<sup>21</sup>

There are two key conclusions on presidentialism and market reform that emerge and are reinforced by the events of 2001-2004. Firstly, the executive power of the presidency depends heavily on control of the legislature, without which the president can be reduced to a largely ornamental role. Secondly, there are deep currents of opposition to the market reform process in the electorate, and this can under certain circumstances, as in April 2004, become a systemic factor that sways the outcome of parliamentary elections. Beyond the growing disenchantment with the peace process in the south, fuelled to no small degree by the LTTE's provocative ceasefire violations, the Ranil Wickramasinghe government's breakneck pace of market reform in 2002-2003 became a significant element in catalysing the opposition movement that ultimately unseated it. Moreover, it led the subsequent UPFA government, which was now heavily dependent on coalition support from the JVP, to halt the economic reforms entirely and to adopt a pronounced anti-reform posture.

### **The Populist Presidency: 2005-2014**

To recapitulate the argument thus far: after reaching its high water mark under Premadasa in the early 1990s, the executive presidency and the market reform programme slipped slowly into crisis over the next decade. Kumaratunga's early promise to abolish the presidency, and to moderate the reforms with a human face had led to a period of flux and ambiguity, ending

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<sup>21</sup> Venugopal (2009).

eventually in the disintegration of the reform agenda and the dramatic weakening of the presidency. As an institution that is electorally more connected to the popular pulse, parliament had in the Kumaratunga period, become the vehicle through which a populist impulse had come to challenge the largely elite-driven projects of state reform (on the economy and ethnic relations) that the executive presidency had been empowered to push through. The relationship between president and parliament had swung decisively in favour of parliament in this period, and the project of the executive presidency envisioned by Jayewardene lay in disarray.

Faced with this crisis, the Rajapaksa presidency's historic challenge and accomplishment was to reverse that equation, and to reassert the power of the presidency. In order to do so, he had on the one hand to play a complicated game of carrots and sticks, by enticing and rewarding parliamentarians to his side through an unprecedented expansion in ministerships. But on the other hand, he also wrought a more substantial ideo-political shift by wresting the mantle of populism away from parliament. In doing so, he turned what were the presidency's weaknesses into his strengths, and what were traditionally the means of achieving state reform, into the ends in itself.

That is, whereas the presidency was initially designed to shield the executive from the heat of day-to-day electoral vulnerability, and from the ethnic nationalist and populist economic pressures, Rajapaksa instead embraced and championed both of those tendencies. The three previous executive presidents: Jayewardene, Premadasa, and Kumaratunga had often been found guilty of *conceding* to populist pressures, and *pandering* to chauvinism, the implication being that these were necessary tactical evils of the political game that they were forced to endure and perform for reasons of expediency, and perhaps even against their own better judgment. Rajapaksa instead, championed populism in a far more transparent way without it being used in the pursuit of any hidden agenda. Sinhala nationalism was not a fig leaf to lend legitimacy to some unpopular counter-populist economic or ethnic agenda: it became, perhaps by default, the agenda in itself.

Rajapaksa's first term was dominated by the war, and by his quest for a stable legislative majority: and he was fortunate on both counts. The steady drum-beat of military victories in the north-east did much to buttress his personal popularity with the southern electorate, and this assisted in his campaign to divide and conquer parliament. In his first two years in power, Rajapaksa managed to end his parliamentary dependence on the mercurial JVP and its contingent of 37 coalition MPs by winning over a large section of the UNP, including several senior leaders. Then, in a political masterstroke, he managed to split the JVP itself in April 2008, winning away its leading demagogue Wimal Weerawansa. Despite a brewing economic crisis and high levels of inflation that increased trade union pressure, Rajapaksa's public image in the south continued to soar during the war, with the crushing military defeat of the LTTE in May 2009 translating into a mighty electoral victory at the presidential and parliamentary elections of 2010.

Having thus successfully reasserted the power of the presidency in his first term, Rajapaksa had in his second term turned its energies towards an economic revival under a nationalist oriented vision of developmentalism. The 2010 election manifesto, *Mahinda Chintana: Vision for the Future* made a specific commitment to doubling per capita income and an eight percent annual economic growth rate. In the meanwhile, Rajapaksa not only maintained a safe rhetorical distance from any market reforms, but *Mahinda Chintana* asserted that the market reform era, which held sway from 1977-2005 had ended, and that Rajapaksa represents a new post-market reform period. Indeed, most economic reforms remained suspended between 2005-14, there had been a minor re-nationalisation (Sri Lankan Airlines), and the launch of a new public sector airline (Mihin Lanka). Beyond that, it is also important to recognise the substantial continuities at play: the economic policy of the Rajapaksa period was been one of treading water rather than any sustained campaign of rolling back the post-1977 reforms.

In place of the market reforms, and its association with western-oriented comprador capitalism, the new post-war developmentalism under Rajapaksa took on a distinctly nationalist and non-western orientation with three key features.

Firstly it signified the reversion to ‘hardware’ over ‘software’. That is, the government prioritised the construction of airports, ports, expressways, and other such monuments of economic infrastructure, with the clear aim of bringing the island’s ageing hardware up to date, and catching up for the time lost during the war. It was in essence a reversion to an older, grander developmental vision that held sway internationally during the 1950s and 1960s, and that due to its scale and scope, necessarily places the state back in a more commanding position. In contrast, there was a conscious de-prioritisation, and even a hostility for ‘software’: the kind of smaller, village-level projects of poverty alleviation and empowerment frequently implemented by NGOs rather than states, that had largely replaced hardware since the end of the Mahaweli project in the 1990s.

Secondly, it signified a shift away from western aid donors to non-western donors, particularly China. Most of the western donor countries, who had been closely involved in the 2002-2005 peace process, became very critical of the Rajapaksa government. The government in turn viewed western-funded aid projects, particularly those in the north-east, with suspicion as nodes of subversion, and subjected them to an increasing burden of surveillance and control. In their place, China emerged as Rajapaksa’s preferred development partner, financier and implementer, with Chinese public sector firms constructing some of the most important and high profile projects of this period, such as the Hambantota port and the Katunayake expressway.

Thirdly, it signified an approach to post-war transformation in which economic development was promoted in lieu of a political solution to the ethnic conflict. The Rajapaksa government had from the very beginning, been deeply sceptical of the very existence of an ethnic conflict, and has instead viewed it as a combination of terrorist violence fuelled by regional under-development. As a result, and also in order to preserve its populist credentials with the Sinhala electorate, Rajapaksa was deeply reluctant to recognise, engage with, or address Tamil grievances through state reforms and through any process of accountability. Instead, it sought to accelerate economic and infrastructure development in the north-east, and to use this, often closely under the direction of a militarised civilian administration,

as a political weapon to win the support of the Tamils, and to undermine the appeal of ethnic Tamil politics. Development under the Rajapaksa presidency was thus a combination of underlying continuities with the post-1977 period, a rhetorical rupture with that past, and entirely new trends and trajectories that have emerged in the new post-war circumstances.

## **Conclusions**

Sri Lanka's executive presidency was brought into being under a distinctly economic rationale: to transform what its framers perceived to be the dysfunctional relationship between populist democracy and stunted economic development. As Jeyaratnam Wilson describes, the problem was that 'the major contenders were merely auctioning away the limited assets of a society which was traversing the road to economic ruin'.<sup>22</sup> By the 1960s, there were clear signs that the socio-political elites of the Donoughmore and early Soulbury periods were growing alarmed at its consequences and trajectory, and it is within this context that the executive presidency must be situated.

To what extent did the executive presidency succeed in its ambition? Overall, there has been a significant degree of market liberalisation since 1977, and an increase in economic growth rates. This happened together with a steep increase in inequality, both at the household and regional level. The impact of the reforms and the entire trajectory of development in Sri Lanka was also heavily affected by the civil war at a number of different levels. The war destroyed productive infrastructure and resources, depressed investment and output levels, and transferred valuable resources to the security sector. But the war also perversely played a role in mitigating poverty and the negative social consequences of the reforms by providing a copious source of well paid formal sector employment (in the army) for young men in the depressed rural parts of the southern periphery.

The quest to tame electoral populism and establish an elevated, empowered presidency in the service of a counter-populist

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<sup>22</sup> Wilson (1980): p.1.

economic strategy was, unsurprisingly, intensely complicated and prone to failure on multiple grounds. It worked best in its early years when the agenda benefited from three overlapping factors. Firstly, it required the strong personal commitment of the president to market reforms. Secondly, the president had to command the support of a dependable, loyal legislature. Thirdly, the president had to deploy a sophisticated array of countervailing sources of populist legitimacy in order to avoid a backlash to the reforms.

As described above, the market reform process went into crisis during the Kumaratunga period as it endured an ambiguous commitment level at the top and steadily lost parliamentary support. A populist resurgence gathered storm through the Kumaratunga period, bringing the domestic legitimacy of the elite-driven projects of state reform – and with it the executive presidency itself - into deep crisis by 2004-05. This crisis was manifest primarily in terms of the power imbalance between parliament and president, but had an underlying basis in an enduring elite-mass divide.

This divide was eventually bridged and repaired by Mahinda Rajapaksa, who embraced populist politics wholeheartedly and demonstratively rejected market reforms and ethnic concessions. In doing so, he rescued and revitalised the executive presidency, but only at the cost of inverting the logic and abjuring the agenda that the presidency was created for. The populist impulse had in that sense, prevailed, and triumphed over Jayewardene's best attempts to restrain it.