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**T**he expected stasis in the economy due to the current crisis is something we Sri Lankans would have to get used to. Industry has faced the most difficult of times due to import restrictions, and the unfavourable dollar rate at which raw materials are imported.

But the economy did not stand still. Entrepreneurs took out cash loans and kept the economy going under the most trying circumstances.

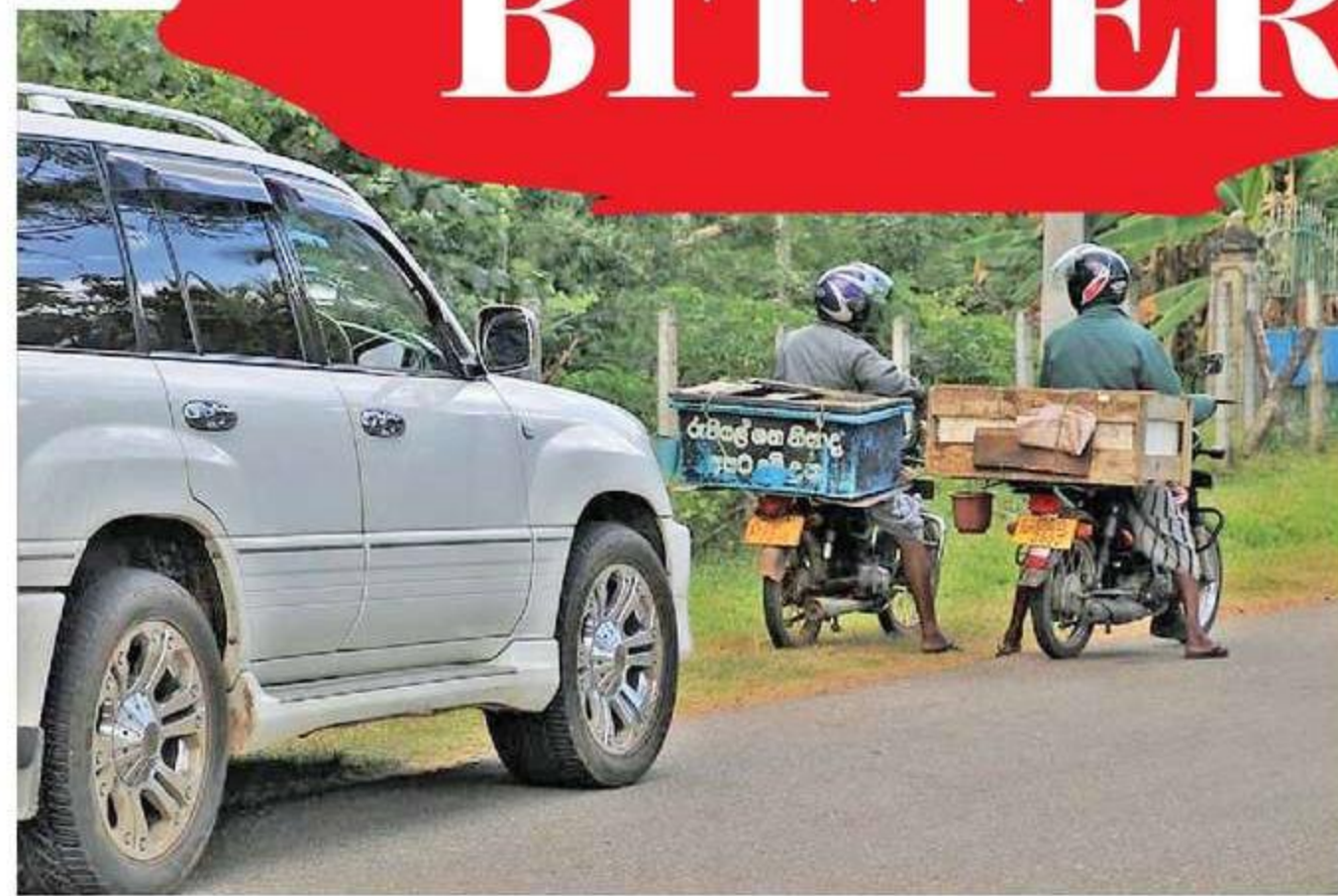
This situation has now changed. Of course, it has to. Interest rates have been raised by several percentage points, and are almost double what they were a few months back. It would mean that the economy is now bound to go through a period of relative inactivity, which may be bitter medicine to swallow despite the fact that the disease — i.e. our economic meltdown — was not so pleasant in the first place.

Business is bound to face more discouragement as a result of what would happen in the next few months due to the possible measures we would have to take after negotiations with the International Monetary Fund (IMF). Is the country ready for this?

Ready or not, it would be the new reality. The hustle and bustle even during the most difficult of times has not been lost on keen observers of ordinary life in Sri Lanka. During the worst of the crisis, the roads were all clogged with an unending stream of traffic. People got about their business. Some may not have had much to eat. Some may have stood for hours on end, in fuel queues. But what stood between the people and a real upheaval in the order of a revolution, was the fact that civilians were getting about their business despite everything.

That almost bucolic past reality of frenzied economic activity may be at an end. This is not to make any value judgement about it. The bitter pill would have to be swallowed,

# WILL THE RICH SWALLOW THE BITTER PILL?



Ordinary people can hardly afford to buy a motorbike, leave alone SUVs

period. But even though it is required medicine, any diminishing of economic activity would be hard to take.

## GOVERNANCE MANTRAS

Sri Lankans are not used to it. During the worst phase of the war, Sri Lankan people laboured hard and kept the engines of the economy humming.

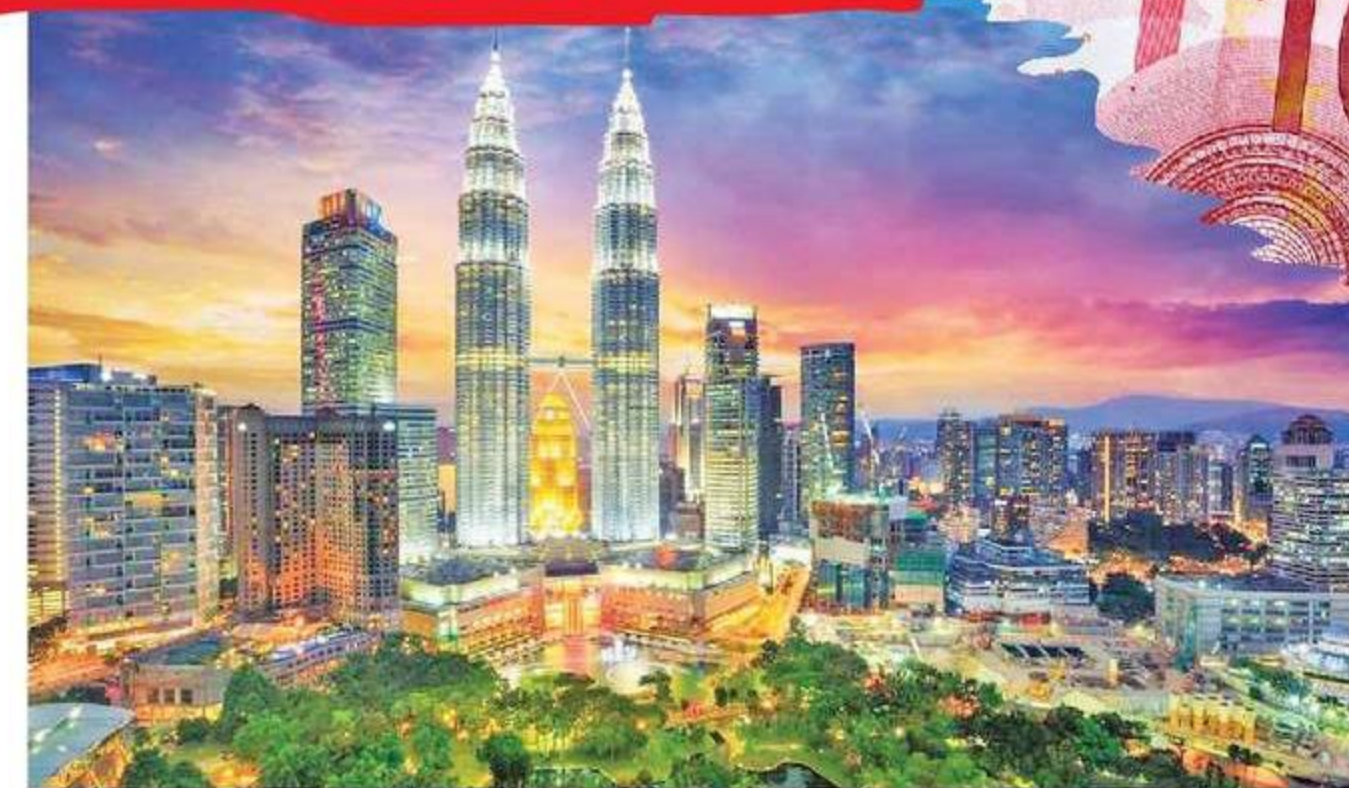
But the rich lived beyond their means. Look at the number of SUVs on the streets. In Malaysia, you wouldn't see one-tenth of the number of SUVs you see here in this country, but Malaysia is a relatively developed economy compared to us.

It's of course often the same successful busi-

nessmen that kept their businesses going that plied these SUVs. Could the country afford the vast outlay in dollars to export these behemoths?

It's clear now that the nation could not afford it. Even today, it is the governance debate that takes precedence over the discourse about the economy. People do not talk about how productive we can be.

Instead, the TV talking-heads seem focused on the relative merits of governance mantras. Which form of constitutional change would best serve us at this moment, they ask. That query is common because it is assumed that the right type of governance 'alchemy' would automatically lift us out of the hole we have fallen into.



Kuala Lumpur, Malaysia

But there would be a very disappointed citizenry that might discover at the end of any governance experience that our economic woes still remain despite the fact that we changed our approach to governance.

Economy-related issues require economy-related solutions, but that has never been the imperative in this country. The economic stasis that is expected due to the recent bitter medicine — high-interest rates etc. and what measures would probably come out of IMF negotiations — may of course be viewed as a necessity.

## GLOBALIZED

Greece, say, was one of the countries that was prescribed this same medicine some years back. The country went through a lengthy period of miserable economic stagnation. But the good news is that eventually Greece pulled through. The country's economy is now on the rebound, having grown rapidly after several years of stagnation.

Our balance of payments crisis has often been due to the fact that we sustained untenable lifestyles. But the policy was to ban the imports of tyres before we considered banning the import of SUVs.

Our crony-capitalistic high-income earners have been bettering themselves at the expense of the ordinary folk for a very long time and this has not been conspiratorial — it has happened flagrantly while the entire country watched. The ordinary folk have been left out of the narrative altogether of course.

When government bonds mature the question that has been asked by the rich at the very worst of times is 'when are we going to be paid?'. They

didn't ask what would happen to the ordinary folk if we missed one interest payment?

This current economic meltdown is also the culmination of the profligacy that was encouraged in this country after the robber-barons were invited in by JR Jayewardene when the economy was opened up for business in the late seventies.

That early entry into the so-called globalized liberal economy paid us dividends in some ways. For example, we were declared a middle-income country some years later. But how soon has all that unraveled?

After we were declared a middle-income country, we were unable to control our commercial borrowings when we became no longer entitled to concessionary loans in the form of aid.

In other words, we were better able to manage our own affairs when we were officially poorer and not a middle-income country. The mismanagement that has followed particularly in terms of the high debt we managed to accumulate as a middle-income borrower, is colossal.

Successive governments did this to us, but often they were in an unspoken conspiracy with the upper classes. Who thought it was proper to earmark monies for the import of obscenely large SUVs?

## INSATIABLE DEMAND

Successive rulers did, but it was because there was an insatiable demand for these types of vehicles among the business classes and the upper income professionals etc. It is now thought that the current crisis would finally bring us to a point where we would think of reforms that reject these types of useless appurtenances.

But whether the ruling-classes and their upper-income fellow conspirators would get around to doing those reforms is moot. We would be prescribed the so-called structural reforms.

But the rich may take out the brunt of the repercussions of these reforms on the ordinary people of this country while they try to maintain the lifestyles that they were used to. In other words, the SUV-mania would not stop, to put this tendency in a form that it is given graphic representation.

Should the IMF or any other organisation try to keep our governing classes disciplined and restrained because we cannot be seen to live beyond our means? It's not their job.

They would prescribe the structural reforms — a lot of which are without a shred of doubt, going to impact badly on the ordinary people of this country. There cannot be many complaints on that score, when we have come so far down the road of economy-meltdown.

But at least this bitter pill when swallowed would pay off in the long run if the ruling classes and their fellow high-income conspiratorial friends in the upper echelons of society turn the page on their profligate lifestyles.

Will they? I would not bet on it. There would be nobody holding their feet to the fire, forcing them to be circumspect, not even those who give us the structural adjustment facilities in the international lending agencies. They are lenders and advisors, not matrons helping to run a nanny state.

It is somehow expected that the social outcry resulting from the current crisis would help our leaderships — future leaderships — reform. Unfortunately, this writer would not bet on that either.

Once the dust settles on this crisis, who would be there to hold the feet of the ruling elite to the fire? What guarantee would be there that they would not lapse into the state of profligacy that they had always been used to? None. That is the unfortunate reality, period.



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